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AGRICULTURE, RURAL DEVELOPMENT, FOOD AND DRUG ADMINISTRATION, AND RELATED AGENCIES APPROPRIATIONS FOR 1994

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Agriculture, Rural Development, Foo... **HEARINGS**

BEFORE A
SUBCOMMITTEE OF THE
COMMITTEE ON APPROPRIATIONS
HOUSE OF REPRESENTATIVES
ONE HUNDRED THIRD CONGRESS
FIRST SESSION

SUBCOMMITTEE ON AGRICULTURE, RURAL DEVELOPMENT, FOOD AND
DRUG ADMINISTRATION, AND RELATED AGENCIES

RICHARD J. DURBIN, Illinois *Chairman*

JAMIE L. WHITTEN, Mississippi

MARCY KAPTUR, Ohio

RAY THORNTON, Arkansas

ROSA L. DeLAURO, Connecticut

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ROBERT B. FOSTER, TIMOTHY K. SANDERS, and CAROL MURPHY, *Staff Assistants*

PART 3

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AGRICULTURE, RURAL DEVELOPMENT, FOOD AND DRUG ADMINISTRATION AND RELATED AGENCIES APPROPRIATIONS FOR 1994

THURSDAY, MARCH 18, 1993.

AGRICULTURAL MARKETING SERVICE

WITNESSES

**KENNETH C. CLAYTON, ACTING ASSISTANT SECRETARY, MARKETING
AND INSPECTION SERVICES**

LINDA P. MASSARO, ACTING ADMINISTRATOR

JOSEPH A. ROEDER, DIRECTOR, FINANCIAL MANAGEMENT DIVISION

CRAIG A. REED, DIRECTOR, SCIENCE DIVISION

**STEPHEN B. DEWHURST, BUDGET OFFICER, DEPARTMENT OF AGRICUL-
TURE**

OPENING REMARKS

Mr. DURBIN. I want to welcome the Agricultural Marketing Service. Linda Massaro, Acting Administrator; Ken Clayton, again Acting Assistant Secretary; Joe Roeder—if I have pronounced that correctly—Director of the Financial Management Division; and Steve Dewhurst, Budget Officer.

Ms. Massaro, thank you for joining us and we have your testimony. If you would like to summarize it at this point, we would appreciate it very much.

Ms. MASSARO. Thank you, Mr. Chairman. If it is OK with you this morning, I want to use a few visual aids.

Mr. DURBIN. Oh sure.

Ms. MASSARO. We will turn down the lights a little so we are able to view those better.

Mr. Chairman and members of the committee, I appreciate the opportunity to brief you on the activities of the Agricultural Marketing Service—AMS.

MISSION

The Agricultural Marketing Service has a long history of service to agriculture. Our programs focus on improving the efficiency of marketing of farm products from the producer to the consumer.

[The information follows:]

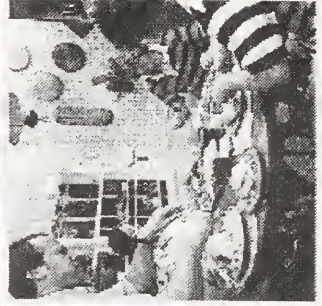
AMS Mission

Facilitate the Marketing
of Agricultural Products

Producer

to

Consumer



AGRICULTURAL MARKETING SERVICE

FY 1993 Funding Level

(in Thousands)

Market News	\$19,164
Inspection and Standardization	17,161
Market Protection and Promotion	14,999
Wholesale Market Development	2,313
Transportation Services	2,584
Total, Marketing Services	56,221
Payments to States (FSMIP)	1,250
Section 32 Administrative	16,371
Commodity Purchases	450,000
Fee Supported	166,522

FISCAL YEAR 1993 FUNDING

Ms. MASSARO. Our appropriated budget for fiscal year 1993 for the marketing services account is \$56 million. This account includes our market news program at \$19 million, egg products inspection and commodity standardization at \$17 million, market protection and promotion activities at \$15 million, wholesale market development at \$2 million and transportation services at \$3 million. Additionally, \$1 million is appropriated for matching grants payments to States and \$16 million for section 32 administrative expenses.

Our commodity purchases budget is \$450 million. The agency's user fee programs earn \$167 million. From all sources, the total AMS funding is \$690 million for fiscal year 1993.

[The information follows:]

AGENCY PROFILE

Organized by Commodity

o Employees:	
Full - Time Federal	3,600
Part - Time Federal	2,000
State (Federally-Supervised)	6,000
o Cooperative Agreements	311
o Federal Offices	201
o Statutes Administered	50

AMS SIZE AND LOCATION

Ms. MASSARO. AMS is organized along commodity lines to provide better service to our customers. We have 5,600 full-time and part-time Federal personnel. We also supervise 6,000 State employees who perform program activities under 311 cooperative agreements involving 50 States. I would like to emphasize that the use of State employees minimizes Federal employment and costs.

AMS programs are authorized by 50 separate statutes. We conduct our programs from 201 consolidated offices across the country. In many cases, we are located in State office space where we share administrative costs. Our field offices are strategically located near grading, inspection, and marketing sites so that we can provide our services at plants or markets where agricultural commodities are processed or traded.

We consistently make an effort to minimize our field office structure, and we have unilaterally reduced the number of our offices by 147, or 40 percent, over the last 10 years.

[The information follows:]

AMS Has Three Major Areas of Focus

- ✓ Marketing Programs
 - Commodity Purchases
 - Oversight of Research and Promotion Programs

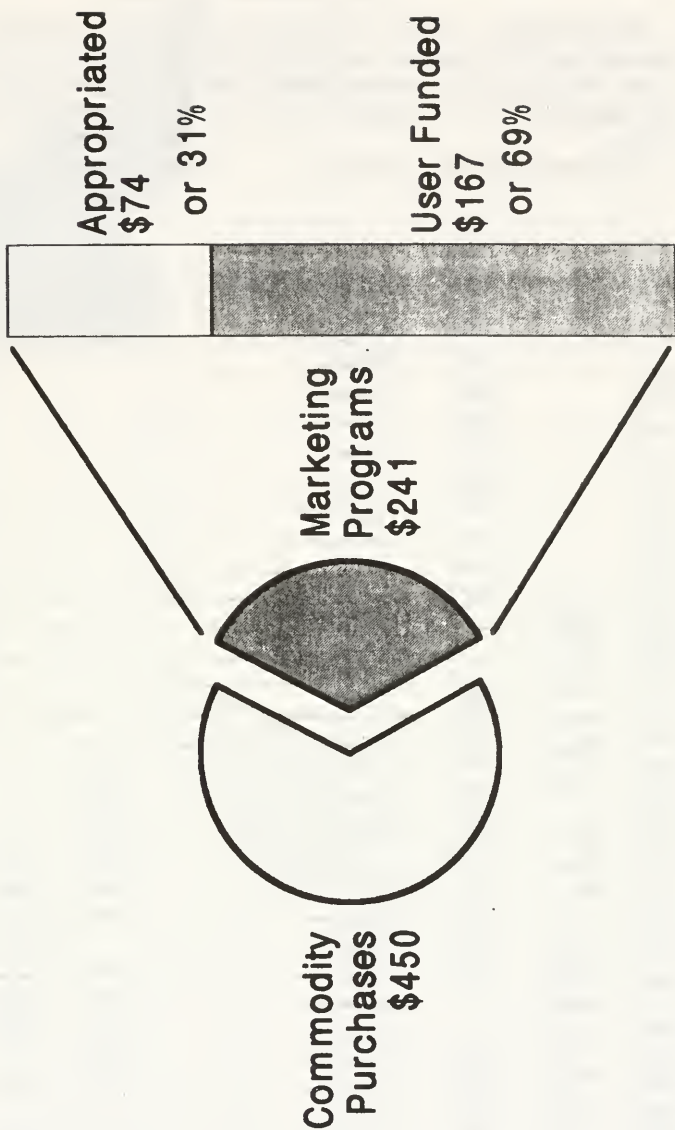
MARKETING PROGRAMS

Ms. MASSARO. Now I would like to focus on AMS programs in a greater detail. AMS has three major areas of focus. They are: marketing programs, commodity purchases, and oversight of research and promotion programs.

[The information follows:]

1993 Total AMS Funding

Dollars in Millions



AMS FUNDING SOURCES

Ms. MASSARO. AMS marketing programs are 69 percent user-funded and 31 percent appropriated. The ratio of appropriated to user funding has remained about the same since 1982. Let me start by describing our appropriated programs, beginning with market news.

[The information follows:]

MARKET NEWS

\$19.2 Million

327 Staff Years



- FEDERAL / STATE PROGRAMS
- TIME - SENSITIVE INFORMATION
- COVERS ALL MAJOR AGRICULTURAL PRODUCTS

MARKET NEWS

Ms. MASSARO. AMS market news provides equal access to timely, accurate and unbiased trading information for all buyers and sellers of agricultural products. We report today's market information. This information makes marketing more efficient and helps to provide consumers with reliable and reasonably priced food supply. We work jointly with State programs to gather, analyze and compile regional and national reports.

Market news reports cover nearly 2,000 markets. The more than 800 commodities we report include cotton and cottonseed, dairy products, fruits, vegetables, livestock, meat, grains, poultry, eggs and tobacco. The farm value of these commodities is approximately \$120 billion.

[The information follows:]

EGG PRODUCTS INSPECTION

(\$12.8 Million, 202 Staff Years)

Ensures wholesome, unadulterated products through:

- Continuous in-plant inspection of egg products operations
- Shell egg surveillance program
- Imported egg inspection program

EGG PRODUCTS INSPECTION

Ms. MASSARO. Our egg products inspection program protects the health and welfare of consumers as mandated by legislation. We continuously inspect egg breaking and processing operations to ensure that broken eggs are pasteurized to eliminate salmonella and other microbiological contaminants. We also inspect shell egg grading and packing plants at least quarterly, and we approve foreign inspection systems for egg products imported into the U.S.

We inspect egg products using sensory examination and laboratory analyses at the 81 processing plants throughout the U.S. The total volume of egg products inspected is 2.3 billion pounds. Along with cooperating State inspectors, we make approximately 7,000 shell egg surveillance visits each year.

[The information follows:]

Commodity Standards

(\$4.4 Million, 72 Staff Years)

- Describe product quality attributes
- Provide a common language of trade for buyers and sellers



dairy products

fruits and vegetables

cotton

livestock and meat

poultry and eggs

tobacco

- 600 Standards in effect
- Utilized in user fee grading programs

COMMODITY STANDARDS

Ms. MASSARO. An AMS quality standard describes the quality, condition, quantity, grade, size and packaging of the product. Standards aid in the marketing of agricultural commodities by establishing commonly accepted terms to describe the quality and condition of the product. The agency currently has nearly 600 standards for over 230 commodities.

We develop new commodity standards when requested by those who buy and sell a commodity or when needed for AMS programs. The AMS grading service, market news reports and Federal commodity purchases use commodity standards to measure and communicate value so that the buyers and sellers can freely and knowledgeably establish prices.

[The information follows:]

Federal Seed Act

(\$1.2 Million, 19 Staff Years)

Regulates Interstate Sale of Seeds

in Cooperation with State Programs

FEDERAL SEED ACT

Ms. MASSARO. AMS protects the agricultural seed user by enforcing the Federal Seed Act. The act ensures that there is truth in labeling on seeds transported between States. We verify alleged violations of the Federal Seed Act as they are referred to us by State officials. We complete about 1,000 case investigations each year.

[The information follows:]

Pesticide Data Program

\$11.5 Million, 24 Staff Years

Helps to ensure the safety of the U.S. food supply by:

- o collecting statistically-based data on pesticide residues in food through cooperative programs with the States of CA, FL, MI, NY, TX & WA.
- o establishing a database of residue information for use in education and regulation.

PESTICIDE DATA PROGRAM

Ms. MASSARO. With the assistance of nine States—California, Colorado, Florida, Michigan, North Carolina, New York, Ohio, Texas and Washington—we operate the pesticide data program to help ensure the safety of the U.S. food supply. Our goal is to determine actual consumer exposure to residues. We are creating a database of pesticide residue levels in food. We are doing this with the data from randomly sampled fresh fruits and vegetables selected at marketing points close to the consumer.

Samples are collected and tested by the States. We are providing a summary of the data to the Environmental Protection Agency for them to use in risk assessment and in establishing residue tolerance levels. This year we expect the program to collect 8,650 samples on 350 commodity pesticide pairs. If any sample collected violates the current tolerances, we immediately report this to the Food and Drug Administration for their action.

[The information follows:]

Pesticide Recordkeeping Program

(\$1.5 Million, 9 Staff Years)

Ensures that records of federally restricted-use pesticides are:

- o maintained by certified applicators.
- o available for official use.



PESTICIDE RECORDKEEPING

Ms. MASSARO. The Food, Agriculture, Conservation and Trade Act of 1990 requires us to implement and oversee a pesticide recordkeeping program at the Federal level. The objective of the program is to ensure records are maintained by private, certified applicators of Federally restricted-use pesticides. We have developed this program in conjunction with the Environmental Protection Agency. AMS will also work with State programs to monitor compliance.

[The information follows:]

Organic Certification Program

(\$134 Thousand, 2 Staff Years)

With National Organic Standards Board:

- **develops national standards**
- **enhances marketing
for organically produced foods.**

ORGANIC CERTIFICATION PROGRAM

Ms. MASSARO. We are working with the National Organic Standards Board to develop an organic certification program. The Organic Food Production Act of 1990 requires the implementation of a program to establish national minimum standards for the production and handling of organic agricultural products.

The Board has created six committees which are developing recommendations for the Secretary on implementing the program. Once the program is developed, State agencies and private persons will be Federally accredited to certify that participating producers and handlers are complying with organic standards.

[The information follows:]

Wholesale Market Development

\$2.3 Million, 26 Staff Years

- 1) Improving wholesale marketing facilities.
- 2) Developing new technology to reduce costs.

WHOLESALE MARKET DEVELOPMENT

Ms. MASSARO. Our wholesale market development program provides technical advice and assistance to cities and States who want to improve their wholesale market facilities or who want to create a new facility. State and local governments, and the agricultural industry, recognize AMS as an authority in planning wholesale food market facilities. We also undertake specialized research to improve the marketing system for agricultural products and to help control marketing costs.

The cost savings that accrue to both customers and communities from wholesale market improvements can be significant. For example, new facilities planned for Chicago will provide room for expansion, improve shipping routes and increase operating efficiency by at least 40 percent over the present facilities. This will keep 2,000 jobs in the city.

[The information follows:]

Transportation Services

\$2.6 Million, 31 Staff Years

Major Functions:

- Economic studies and analyses
- Technical Assistance
- Technical Research

These functions help to ensure an adequate and efficient transportation system for rural and agricultural communities.

TRANSPORTATION SERVICES

Ms. MASSARO. Through our transportation services program, AMS represents the interests of the agricultural industry and rural communities. To ensure an adequate and economical transportation system is available, we conduct technical research and economic studies of both domestic and international transportation systems. In addition, we provide information and technical assistance on agricultural transportation to producers, shippers and carriers, rural communities and other government agencies.

INTERNATIONAL MARKET DEVELOPMENT

In addition to our ongoing activities, we are also supporting the department's emerging democracies initiatives by assisting Eastern European and former Soviet republics in establishing wholesale market facilities and agricultural market information systems.

[The information follows:]

Federal-State Marketing Improvement Program

(\$1.25 Million Federal Funding)

- States match Federal funds
- AMS works with States to solve local marketing problems (i.e., alternative commodities, marketing efficiency and effectiveness, new outlets for existing commodities)

FEDERAL-STATE MARKETING IMPROVEMENT PROGRAM

Ms. MASSARO. Our Federal-State market improvement program, FSMIP, provides matching grants for State and local agricultural market improvements projects. Last year, we provided matching funds for 30 projects in 25 States.

The goal of the FSMIP program is to reduce the cost of marketing for both producers and consumers. Projects include innovative marketing, improvements to export marketing, and the testing of study findings in the marketplace. For example, we provided matching funds for a project with the Federation of Southern Cooperatives to help organize direct marketing efforts to inner city markets. That effort increased producer sales in Mississippi and Georgia by more than \$1 million the first year. Another project identified and developed a potential \$25 million market for fruits and vegetables in Iowa.

[The information follows:]

Marketing Agreements and Orders

(\$10.3 Million, 120 Staff Years)

The Secretary is responsible for
the oversight of:

- ✓ 38 Dairy Marketing Orders
- ✓ 43 Fruit & Vegetable Marketing Orders

MARKETING AGREEMENTS AND ORDERS

Ms. MASSARO. We oversee the activities conducted under the authority of more than 80 milk, fruit and vegetable marketing orders. Milk marketing orders assist farmers in developing steady, dependable markets. They also help to correct conditions that result in price instability and disorderly marketing.

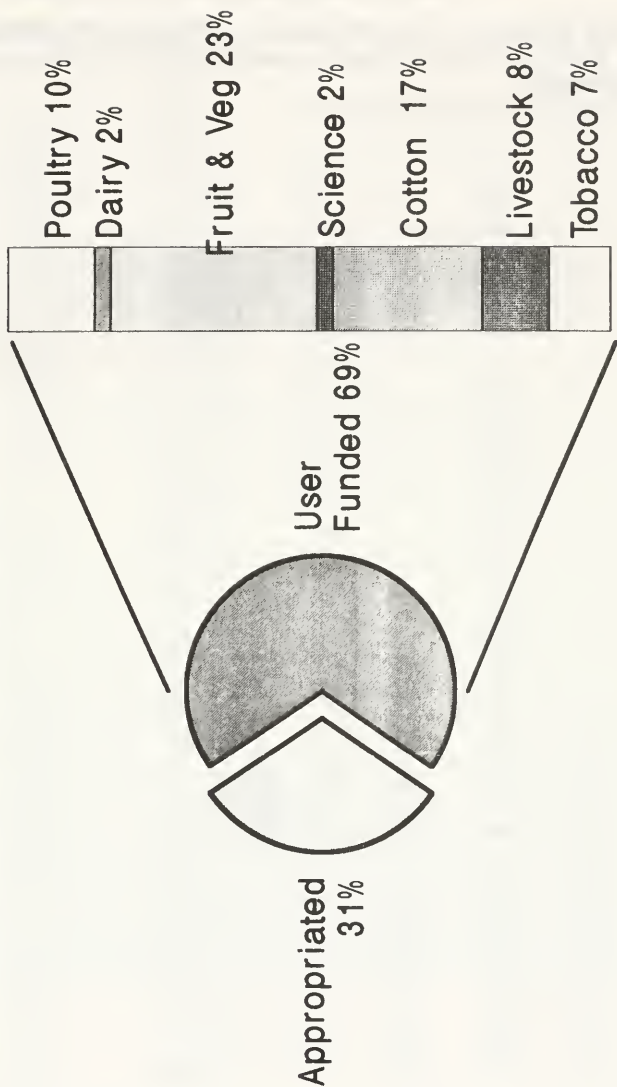
Fruit and vegetable marketing orders include provisions for research and development projects, container and pack requirements, minimal standards for quality and maturity, and programs to assist in maintaining a stable flow of commodities to avoid unreasonable fluctuations in supplies and prices.

While the Federal oversight is financed from appropriations, marketing order operational costs are financed by producers. The industry assessments collected to fund milk marketing order activities are three-tenths of a percent of the production value. Fruit and vegetable marketing order assessments are half of a percent of the crop value.

[The information follows:]

AMS MARKETING PROGRAMS

FY 1993



USER-FUNDED MARKETING PROGRAMS

Ms. MASSARO. Our remaining marketing programs are user-funded. This chart compares the proportion of revenue earned for each commodity.

[The information follows:]

GRADING SERVICES

(\$154.2 Million, 2,677 Staff Years)

- Facilitates marketing of commodities.
Cotton, Dairy Products, Fruit and Vegetables, Meat
Poultry and Eggs, Tobacco
- Provides impartial evaluation of
product quality.
- Assures buyer of product quality
and quantity.

GRADING SERVICES

Ms. MASSARO. The AMS grading program facilitates commerce by inspecting, identifying and certifying product quality using official standards or contract specifications.

This year we expect to grade 141 billion pounds of cotton, dairy products, fruits and vegetables, livestock and meat, poultry and eggs, and tobacco. We estimate the farm value of these products will be \$50 billion. Our grading fees average about three-tenths of a percent of the product value.

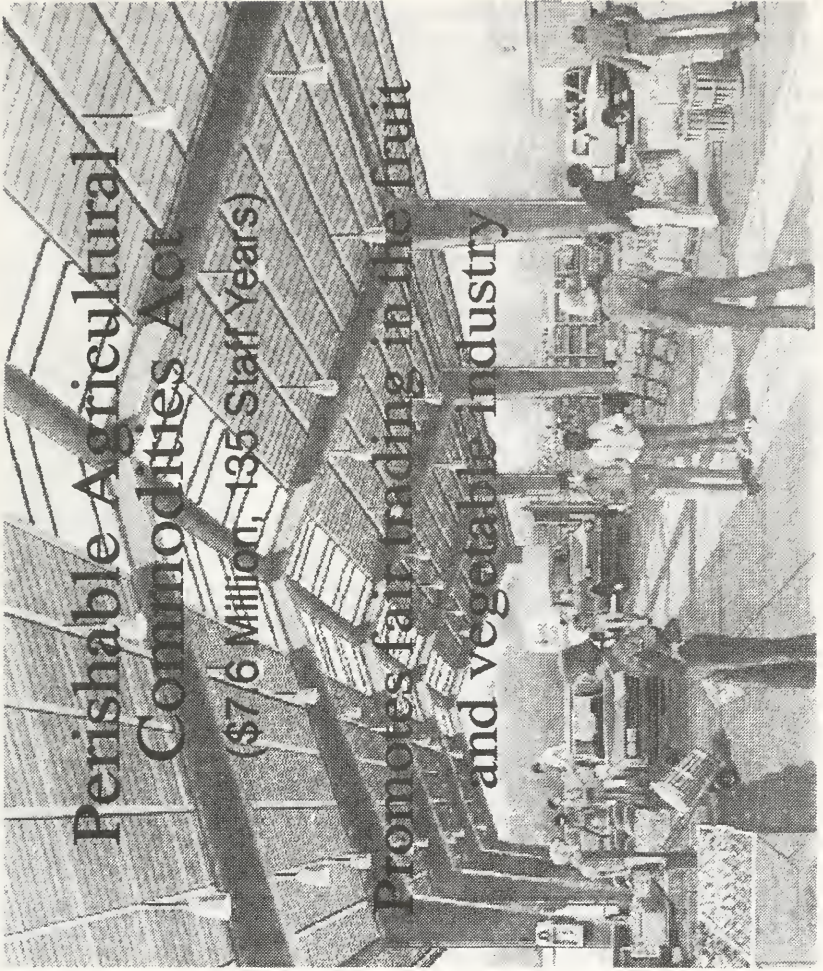
We also offer inspection of processing facilities and an acceptance service to certify that large volume institutional purchases match the contract specifications. Grading services furnish an objective representation of the quality of the commodity. These services provide a quality control tool and a means for buyers and sellers to determine the commercial value of the shipment. This is useful in obtaining loans or in settling complaints.

[The information follows:]

Perishable Agricultural Commodities Act

(\$76 Million, 135 Staff Years)

Promotes fair trading in the fruit
and vegetable industry



PERISHABLE AGRICULTURAL COMMODITIES ACT

Ms. MASSARO. The Perishable Agricultural Commodity Act, PACA, protects producers, shippers, distributors, retailers and consumers of fresh and frozen fruits and vegetables from unfair marketing practices. The Act prohibits the misbranding or misrepresentation of perishable commodities. AMS enforces the provisions of the Act to promote fair trading.

We expect to arbitrate 50,000 reparation disputes, file 1,000 disciplinary and misbranding actions, and to conduct 3,000 personal investigations this year. In addition, the statutory trust provision of the act provides a forum for resolving reparation complaints dealing with contract disputes. We expect to process 140,000 statutory trust notices, which could result in refunds to sellers of \$750 million.

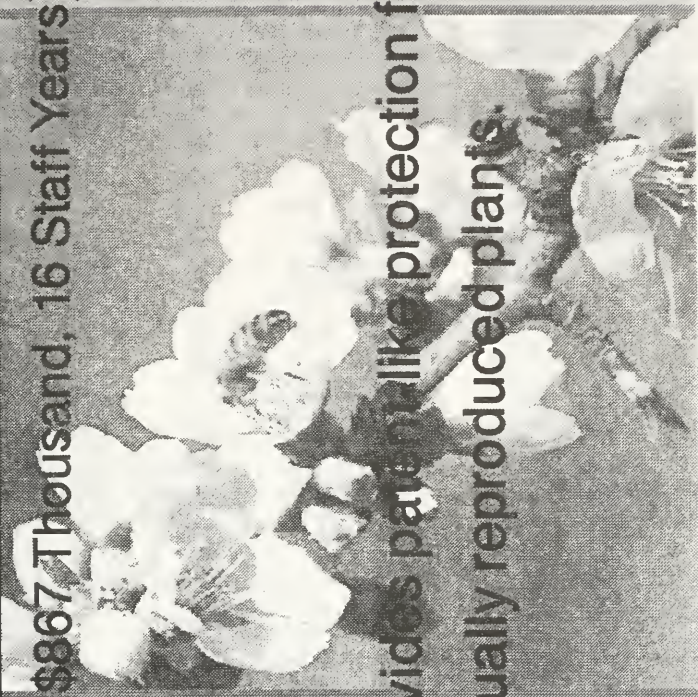
Annual license fees finance PACA activities. All dealers in the produce industry operating under PACA, operating under the act, must be licensed. Violators can lose their license.

[The information follows:]

Plant Variety Protection Act

(\$867 Thousand, 16 Staff Years)

Provides patent-like protection for sexually reproduced plants.



PLANT VARIETY PROTECTION

Ms. MASSARO. The plant variety protection program encourages the development of novel varieties of sexually reproduced plants. We have provided legal, patent-like protection for 18 years to breeders, developers or discoverers of new varieties. Nearly 3,000 certificates were in force at the beginning of the year, and we expect to issue 325 certificates this year. Program activities are funded for fees charged for the verification of applications and the issuance of certificates of protection.

[The information follows:]

National Laboratory Accreditation Program

(\$96 Thousand, 1 Staff Year)

Helps safeguard human health by:

- Using FDA quality and reliability standards
- Certifying laboratories that test for chemical residues on agricultural products

NATIONAL LABORATORY ACCREDITATION PROGRAM

Ms. MASSARO. The objective of our national laboratory accreditation program is to certify private and commercial laboratories that conduct pesticide residue tests on agricultural products intended for human consumption.

The Food and Drug Administration is promulgating the regulations that will set the proficiency and methodology standards for participating laboratories. Once the program is initiated, buyers and the public can be assured that accredited laboratories meet national standards and that any claims based on analyses from these laboratories are accurate. The program will be fee supported when operational.

[The information follows:]

AMS Has Three Major Areas of Focus

- Marketing Programs
- ✓ Commodity Purchases
- Oversight of Research and
Promotion Programs

Commodity Purchases Program

(\$450 Million)

- ✓ Removes surplus commodities from markets
- ✓ Purchases over \$800 million yearly (\$377 million for FNS)
- ✓ Purchases include: meat, fish, fruit and vegetables, poultry products
- ✓ Emergency and sunflower oil Purchases

COMMODITY PURCHASES

Ms. MASSARO. Our second area of focus is commodity purchases. Commodity purchase activities constitute the largest portion of AMS controlled funding.

COMMODITY PURCHASE PROGRAM

We purchase non-price-supported commodities such as meat, fish, poultry, eggs, fruits and vegetables, to remove excess commodities from the market and for domestic feeding programs. Removal of surplus commodities stabilizes prices and allows a producer to receive a fair return.

AMS purchases commodities valued at \$450 million each year. In addition, we act as a contracting agent on behalf of the Food and Nutrition Service, purchasing additional commodities valued at \$377 million for their feeding programs. The commodities acquired are furnished to the school lunch and other feeding programs, and for disaster relief. Combining purchase activities improves government efficiency. The funding for commodity purchases is derived from U.S. Customs' receipts.

[The information follows:]

1993

Commodity Purchase Services

(\$6.1 Million, 46 Staff Years)

- Receives 2,200 bids yearly
- Awards 1,300 contracts yearly
- Purchases over 741 million pounds of commodities yearly

COMMODITY PURCHASE SERVICES

Ms. MASSARO. In performing our commodity purchasing, AMS annually solicits and receives more than 2,000 bids and awards over 1,000 contracts to purchase over 700 million pounds of commodities. Our administrative costs constitute only 1 percent of program funds.

[The information follows:]

AMS Has Three Major Areas of Focus

- Marketing Programs
- Commodity Purchases
- ✓ Oversight of Research and
Promotion Programs

Research & Promotion Programs

(\$1,760 Thousand, 24 Staff Years)

49

In Effect:

- Cotton ◦ Pork ◦ Watermelon
- Egg ◦ Honey ◦ Dairy Products
- Beef ◦ Potato ◦ Wool
- Soybean ◦ Pecan

Authorized:

- Lime ◦ Mushroom ◦ Fluid Milk

RESEARCH AND PROMOTION OVERSIGHT

Ms. MASSARO. Our final area of focus is the oversight of the research and promotion programs.

We oversee Federally-authorized research and promotion programs that are developed and funded by industry. Industry boards collect assessments from producers and handlers to carry out programs designed to strengthen demand and improve the quality of the commodities listed on the chart. A mushroom program will begin later this year. Similar programs for limes and fluid milk have been authorized but are not yet established. Our oversight costs are reimbursed by industry boards.

CONCLUSION

In conclusion, the agricultural marketing services' activities are important to American agriculture. Our mission is to facilitate the marketing and distribution of agricultural products to ensure fair trading practices and assure consumers of a food supply that is abundant and of high quality.

We continually adapt our services to changing domestic and international marketing practices and technologies. AMS promotes a strategic marketing perspective that adapts product and marketing decisions to consumer demands. We do this in cooperation with other USDA agencies and agricultural industries. Our program results in more efficient, dependable, economical, and equitable marketing systems.

This concludes my statement, Mr. Chairman. At this time, I would be pleased to answer any questions that you might have about our program activities.

[CLERK'S NOTE.—The acting administrator's prepared statement appears on pages 114 through 129. The budget justification notes received by the Committee on April 28, 1993 appear on pages 130 through 191.]

Mr. DURBIN. Thank you, Ms. Massaro. Thank you for your presentation. It was very well done, and Mr. Skeen and I both enjoy seeing pictures. It helps us understand things a lot more easily.

Mr. SKEEN. We like visual aids.

Ms. MASSARO. We are glad you liked it.

Mr. DURBIN. It was very, very helpful, and I compliment whoever put it together. I am sure they put a lot of work into it.

Mr. SKEEN. Well done.

PICKLE STANDARDS

Mr. DURBIN. Let me ask a few questions. Is yours the agency with the man who measures the stem on pickles?

Ms. MASSARO. Yes, sir, that is our standards program.

Mr. SKEEN. We finally found out where he is.

Mr. DURBIN. Now we have him.

Ms. MASSARO. Yes, sir, we develop standards for approximately 600 commodities. We feel that those standards are very valuable and useful.

I talked with Chris Wallace when he came over to do the taping, for Prime Time Live, which featured the pickle stems. We tried to point out to him certain standards he could understand when he

went to a supermarket and saw them on a product. Standards are used for purposes other than the consumer in the supermarket.

Standards are also very useful for buyers and sellers of agricultural commodities. For instance, if you are on the East Coast and you want to buy pickles from someone who makes pickles on the West Coast, our standards are useful as a language of trade so that you know what you are getting.

We also use standards when buying for Federal programs. AMS standards are used to define the products that we are buying for the school lunch and other feeding programs. In addition, many of the industries actually use AMS standards in developing their own production standards.

In the case of pickles, there were issues involved other than the stems that delayed issuance of that standard. In fact, the individual was not working 100 percent of his time on pickles. There were also issues involving what the pickles were packed in; whether they needed to be packed in vinegar or not.

Certainly, when we change a standard, it is of interest to a lot of different parties and we try to give ample time for everyone to comment on a standard. That is why it took so long in the case of pickles.

COMMODITY STANDARDS

Mr. DURBIN. Can you tell me, do we have standards for every agricultural product sold in America?

Ms. MASSARO. We develop a standard when either we need it for our own uses for a buying program or when we have an industry request for a standard.

Mr. DURBIN. Does the industry reimburse the Federal government for establishing a standard?

Ms. MASSARO. No, they do not. However, the consumer benefits as well as the industry.

PESTICIDE DATA PROGRAM

Mr. DURBIN. Let me ask you about the PDP program. This has been an item of some interest and controversy in the subcommittee for some time now.

Do I understand that you have a Memorandum of Understanding with the Environmental Protection Agency?

Ms. MASSARO. Yes, we have a Memorandum of Understanding with EPA and FDA, and we have established a steering group that is meeting to make sure the joint demands of each of the departments are being met with this program.

PDP AND FDA

Mr. DURBIN. If I understand it correctly, the Food and Drug Administration takes samples of fruits and vegetables coming into the United States, as well as those grown in the United States, to determine chemical residues, and if they find anything that is violative, they can, in fact, monitor, capture shipments, and the like, in order to discourage misuse of chemicals and misapplication.

Since they are empowered to do that to protect, ultimately protect American consumers, what will this program add to that effort?

Ms. MASSARO. Well, the FDA program is primarily charged with finding violators. Our program is developing a database of information about residues on food measured as closely as possible to the consumer.

In other words, we draw our samples as close to the consumer as we can so that we will know what kind of residues may be on a product when the consumer brings it into their home.

Essentially, we are not looking for violations, although when we do detect violations, we immediately report them to the FDA. We are gathering a statistically significant sampling from which to make nationwide inferences about what residues are on food.

RESIDUE RISK

Mr. DURBIN. That is the next question I wanted to ask, because I read your summary here of the program and I thought it was very well written. It indicates the sophistication of the equipment which you are using and the fact that, I think in some 50 percent of the samples of agricultural products, you have found some residue level.

Now, we have raised this question I don't know how many times in this Subcommittee as to what the significance of that finding is. Having found the residue are you presuming that there is a risk and is that a fair presumption in light of the sophistication of technology now available?

Ms. MASSARO. For the roughly 3,000 samples from the first half of 1992, you are correct; there were pesticides detected on roughly 50 percent of the samples. However, only 13 percent of the samples were detected with residues above the tolerance levels.

We look to EPA for the tolerance levels. I have someone with me today, who may be able to add something to that. Craig Reed, who is our expert in that area, heads up our science division.

Mr. DURBIN. Okay, that will be fine.

PESTICIDE RESPONSIBILITY

Dr. REED. Thank you, Mr. Chairman.

I think a basic distinction has to be made between the FDA program and the USDA program. I look at it using the analogy of a traffic cop, someone trying to detect speeders, versus a measurement program to find out the average speed; or in this case, the average residues that are on those foods.

Our information is important to EPA so they can enter it in their risk equation and know the exposure of the American public to the residue. That is the primary importance of PDP, so that EPA can have real numbers rather than theoretical maximums to plug into their risk equation.

Mr. DURBIN. So the EPA is going to be the agency responsible for developing the toxicity levels and risk factor involved in the presence of these residues.

Dr. REED. That is correct, they already do that.

PDP RESULTS

Mr. DURBIN. Now, can you tell me based on what you have already invested in this program practice and what you have found, whether any actions have been taken to change standards or to pursue different producers to determine whether or not they are misusing chemicals?

Dr. REED. I can tell you that we have found a number of violations that have been referred to FDA for their further investigations as they see fit.

As far as determining whether a chemical should remain on the market or should come off the market, a lot of that data is just now reaching completion. We collect data over at least a two-year cycle to determine whether a crop has a certain level of residues on it. EPA is being provided that data and will use them in their re-registration efforts that are due later in this decade.

PDP AND EPA

Mr. DURBIN. I thought that EPA used the on-farm sampling basis to set their tolerance levels as opposed to the consumer levels that you are providing.

Dr. REED. They use data from on-farm samples developed by the registrants at present. That is how they set tolerances. However, the tolerance level and the actual level that people ingest in their food is usually very different. We are finding that the difference is from 10 to 1,000 times less than some of the existing tolerances.

Mr. DURBIN. Are you able to trace the food that you are sampling back to its source?

Dr. REED. Yes. The way we designed our sampling plans for each of the commodities was to take it as close to the dinner table as possible yet still retain as much of the identity as we can. We can generally identify the commodity back to a packing shed and they generally keep records on who their suppliers are.

PDP VIOLATIONS

Mr. DURBIN. Now, of the 13 percent that were above tolerance levels, can you tell us anything about their sources; where they were from?

Dr. REED. Let me correct that. There were not 13 percent above tolerances. We found roughly 35 samples in the first 8,000 samples we tested that were violative. Of course, some of those violations were, as the committee has heard before, for residues that have tolerances on other products but not on the specific product that we looked at.

Mr. DURBIN. Misapplication.

Dr. REED. A misapplication, or an overdraft, or some other type of problem.

Mr. DURBIN. But of the 35 that you found, were you able to trace the source on those 35.

Dr. REED. Yes, we did.

Mr. DURBIN. And did you learn anything 8,000 samples later as to whether or not there is a certain part of the country or certain producers who are not being careful enough in using chemicals?

Dr. REED. We have not been able to make a determination and pinpoint a certain location where there is a recurrent problem.

Mr. DURBIN. Why?

Dr. REED. Our plan focuses on a statistically defensible sampling, and if we did recurrent sampling of violations, not only would that be in FDA's bailiwick, but that would skew our sampling plan so it would no longer be statistically defensible.

Mr. DURBIN. If EPA is using an on-farm sampling to develop their tolerance level, if FDA is trying to monitor these fruits and vegetables as they are being produced and shipped, and if the information which you are deriving of products that are beyond tolerance level is not being used to identify their sources, what good is this to the consumer?

Dr. REED. Well, of course, the detected violations are of use because it helps FDA. The information is given to FDA on violations. Since it does help FDA, there is some consumer benefit right there.

Mr. DURBIN. How does it help FDA?

Dr. REED. The information helps FDA identify future potential investigations so they can pinpoint their efforts.

Mr. DURBIN. Let's get back to the earlier question. You found 35 that violated tolerance levels and you say FDA then investigated those violations.

Dr. REED. We handed that all over to the FDA.

Mr. DURBIN. To your knowledge, were they able to establish whether any producer in this country or overseas has been misapplying chemicals and they missed it in their inspection?

Dr. REED. That information, I don't have.

Mr. DURBIN. Isn't that critical?

Dr. REED. It is certainly critical to enforcement programs, yes.

Mr. DURBIN. Everyone wants to know what is a risk to their family in terms of the food they are consuming. The information you have come up with, 35 out of 8,000; statistically, what percentage would that be; do you know offhand?

Dr. REED. It is much less than 1 percent.

PDP FUNDING

Mr. DURBIN. How much money are we spending on this program?

Dr. REED. We are spending \$11.5 million for the residue sampling and analysis.

Mr. DURBIN. Well, I am going to have to study this a little more. I am just as concerned for my family as anyone else, but I am wondering what we are getting for \$11.5 million. If you cannot pinpoint a problem and tell me there is a producer somewhere that is misusing chemicals who should be stopped, warned or monitored, then I wonder what we get for this. It looks like it is purely academic research.

Dr. REED. No, it is not at all academic research. The main focus of the program is to provide information so the EPA can know what the actual residues are. That is the key component and the goal of the program.

We find violations of a tolerance as a result of some of our analyses, but that is not the focus of this program. It is not an enforce-

ment-based program. We want to measure the residues so that EPA can know what actually is being consumed.

PDP AND REREGISTRATION

Mr. DURBIN. But EPA has not chosen to change their approach in establishing tolerance levels to use consumer base. They are still going on-farm to establish them.

Dr. REED. EPA has always relied on pesticide residue data gathered from a variety of outside sources—industry, academia, and government. The informational inputs supplied by these sources and used in the theoretical models of exposure failed to accurately portray the actual residues on food. Today, USDA provides EPA with a true picture of actual residues on food by collecting reliable residue data using statistically-based sampling. With our State partners, we are collecting actual residue data with state-of-the-art technology employing the highest quality assurance standards. Data which has not been available to EPA in the past is now becoming available. As a result of the PDP, EPA can now better estimate actual exposure and risks to a given population. The data will also influence future reregistration efforts for questionable pesticides where risk and exposure are instrumental in developing or revoking tolerances.

Mr. DURBIN. Okay. We will look into that a little more.

PDP PURPOSE

Dr. CLAYTON. Mr. Chairman, I would like to add one point on that, just to reinforce the point that Dr. Reed made. This is not intended to be an enforcement program. I go back to the point you were making about your concern for your family, a concern we all have, in terms of exposure to pesticides.

I think one way to put this program in perspective is that as a consumer you would be concerned about two things: One is how much actual pesticide residues my family and I are being exposed to; secondly, how to put it into context, against what do I measure that exposure to know whether it is significant.

The whole purpose of this program is to try to provide the data which will do two things. One is to help develop tolerances that are meaningful; and secondly, to try to provide, at least as a by-product, some additional data to the American public so that they have some sense of what the actual exposure levels are.

So it really is those two kinds of questions that this program is directed toward, not so much for enforcement. Enforcement is kind of a follow-on, if you will. As we are doing the work for its principal purpose, if we discover violations, then we certainly pass those on for enforcement. But our intent is not to be out there as the traffic cop, as Dr. Reed mentioned.

Mr. DURBIN. Well, I guess it gets down to the bottom line. We have asked this question so many different ways. If I find out there is one part per billion of a certain chemical on a banana I am serving to my family, that may be interesting to me if I have a background in science, I may be able to draw a conclusion from it, but most average consumers will not know whether that is good, bad, risky or not risky.

You are producing information, and I am trying to ask you of what practical value is that information. Is it really going to lead to stopping people from overusing chemicals, or is it, frankly, just going to create some sort of a statistical information base of little practical value to consumers across America?

Dr. CLAYTON. That is a very fair question. It seems to me that the issue really is what information does EPA need in order to decide whether that one part per billion on a banana is significant or not significant. PDP information is one critical input to EPA being able to make that determination.

I agree with you that one part per billion doesn't mean anything to me, either. On the other hand, if I know that there is a government tolerance out there and the residues on a product meet or exceed that tolerance, that does become, I think, more meaningful.

PDP, EPA, AND FDA

Mr. DURBIN. Last year's annual report for this program stated "valid statistical inferences from data obtained using these initial sampling procedures will not be possible at the national or state level." Does this mean that EPA and FDA now recognize this program as being a valid statistical sampling program?

Dr. REED. Yes, that is correct.

Mr. DURBIN. It has changed in the past year?

Dr. REED. Yes. EPA, FDA, and the National Agricultural Statistic Service are in the process of peer review, but the data is statistically valid.

TOBACCO IMPORT GRADING

Mr. DURBIN. All right. Let me ask a question related to the services which you provide for tobacco.

Now, I understand from information that I have been given for fiscal year 1993 on import grading that there is a user fee charged against the folks who are importing tobacco; and, as I read the figures here, you have some 22 employees and they collected \$3.7 million in revenue and spent \$1.4 million. Are those figures—

Mr. ROEDER. That is correct.

Mr. DURBIN. Why is there such a disparity between the amount collected and spent?

Mr. ROEDER. The difference occurs because of an increase in the volume of imports. That program was started several years ago, and when the initial fees were set the amount of imports were fairly low relative to the amount of work that it took to do the sampling.

I don't believe we have changed the fees since that time, but the amount of product that has been imported has dramatically increased, especially from last year to this year. The result is we are more efficient. Fewer people can sample a greater amount of product, once they have travelled to the import site to do the sampling.

As a result there is more revenue, per dollar of cost. If this situation were to continue, we would have to adjust the fee accordingly.

Mr. DURBIN. We are talking about raw tobacco; are we not?

Mr. ROEDER. Yes, sir.

Mr. DURBIN. It is obviously being imported by American cigarette makers that are blending it with domestic tobacco or using it in their product.

Mr. ROEDER. I believe so.

Mr. DURBIN. There is a dramatic increase in the amount of imported tobacco coming into the United States.

Mr. ROEDER. Yes, sir, based on the amount of revenue we have collected, that is my assumption.

Mr. DURBIN. I would stand to be corrected here, but I think the percentage of increase over the last several years has tripled, which should be of interest to people who are growing tobacco in the United States.

But you are suggesting to me that to control the surplus that is being run in this account, you are going to change the user fee level.

Mr. ROEDER. We could change the fee we charge. However, we would first look at the way the program is run and make sure we are charging the appropriate costs to it.

DOMESTIC TOBACCO GRADING

Mr. DURBIN. Now, on domestic grading, I see there is also a user fee, and you have some 197 employees involved in that and have collected during the last fiscal year \$12.8 million, and the cost of the program is just about that, \$12.752 million. So I take it, whatever user fee is being collected is fairly close to the cost of the program?

Mr. ROEDER. Yes, sir.

TOBACCO STANDARDS

Mr. DURBIN. Now, when we talk about grading in this instance, how does that differ from the standards we were talking about earlier for other agricultural products?

Ms. MASSARO. We have separate standards used for tobacco grading. The grading program has a user fee so it pays for itself. We provide the same services to the tobacco producers that we provide for any other agricultural product.

USER FEES

Mr. DURBIN. Are there any other commodities which your agency grades and charges a user fee for that service?

Ms. MASSARO. Yes, there are. We charge a user fee for grading fruits and vegetables, for dairy, for livestock, for all of the products that we grade we charge a user fee. That is a self-supporting program.

Mr. DURBIN. You are drawing a distinction between grading and standards, I take it.

Ms. MASSARO. The graders apply the standards.

TOBACCO PROGRAMS

Mr. DURBIN. I see. But there are two areas here where you do provide services to the tobacco industry which are not subject to user fees. One is in market news, if I am not mistaken, where some 20 employees use about a million dollars a year, \$948,000, for the market information that they send out to buyers and sellers.

If my information is correct, the only fees that are charged are for those—well, I am not certain. It appears you do collect some revenue, \$9,000.

Dr. CLAYTON. I think I can help you. We do recover the cost of preparing and distributing printed reports. However, the basic information gathering for those reports, which are also provided through telephone answering devices, newspapers, and so forth is funded through appropriations.

Mr. DURBIN. All right. And finally, standardization is the last one I have on the list here. The tobacco area that you and some three staff employees are involved in. There is an appropriation of about \$232,000 for standardization which is not subject to a user fee; is that correct?

Ms. MASSARO. That is correct.

Mr. DURBIN. Are there any other services which you provide to tobacco through your agency?

Ms. MASSARO. We test for residues on imported tobacco, but other than that, those are the only services.

Mr. DURBIN. Would that be subject to a user fee?

Mr. ROEDER. That is the first program we talked about. That is also a user fee program.

PESTICIDE DATA PROGRAM GOALS

Mr. DURBIN. Let's go back to the Pesticide Data Program. Last year, Mr. Haley testified that he anticipated over 6,000 samples being taken during fiscal year 1992 and that three states would begin acid herbicide analysis on over 1,000 samples. Please tell us what the status is of your sampling program for 1992. Did you, in fact, attain the goals set out last year?

Ms. MASSARO. The pesticide data program reports annual progress on a calendar year basis. We attained our sampling goals last year. The program collected nearly 6,000 samples, and performed 14,400 different pesticide class analyses in 1992. Acid herbicide testing was implemented in New York in April 1992 and in five more States in July 1992 for five commodities—apples, grapes, oranges, grapefruit, and potatoes. In 1992, 1,435 samples were analyzed for acid herbicides.

In addition, the PDP implemented special methodology for the detection of benomyl in apples, bananas, and green beans beginning in May 1992. Broccoli was added in October 1992. The total number of samples collected for benomyl analysis was 1,404. These benomyl analyses are being done at the Animal and Plant Health Inspection Service laboratory in Gulfport, Mississippi. The EPA has requested benomyl data generated by the PDP for their evaluation process.

PESTICIDE DATA PROGRAM MOU

Mr. DURBIN. This program was supposed to be well coordinated between EPA and FDA and at least year's hearing, you still did not have a Memorandum of Understanding established with the Food and Drug Administration. You said there has been an MOU signed now. Would you please provide us a copy of the MOU.

Ms. MASSARO. I will provide a copy of the MOU for the record. [The information follows:]

MEMORANDUM OF UNDERSTANDING
 Among the
 United States Department of Agriculture,
 United States Environmental Protection Agency,
 and the
 United States Department of Health and Human Services,
 Food and Drug Administration

NAME OF PROJECT: USDA Pesticide Data Program

OBJECTIVE: To provide for coordination among agencies carrying out the Pesticide Data Program (PDP) and other Federal agencies whose programs interface with PDP.

INTRODUCTION: USDA's PDP is a comprehensive, multi-agency program to collect and analyze information on pesticide use and residues of pesticides in food. PDP will also study the economic implications of alternative pesticide regulations, policies and practices. This information supports, primarily, the risk assessment process of the Environmental Protection Agency (EPA). PDP is intended to complement existing USDA, EPA, and Food and Drug Administration (FDA) pesticide-related programs and to contribute to the overall data base for government agencies to respond effectively to food safety issues.

The goals of PDP are to:

- A. Collect statistically reliable data on pesticide residues in selected commodities in commerce as close to the consumer level as possible.
- B. Collect statistically reliable data on pesticide use in the production of fruits, vegetables and other farm products.
- C. Provide reliable data on pesticide use and residue levels, together with food intake data, to EPA and FDA to support the safety and regulatory actions of those agencies.
- D. Evaluate the benefits of alternative pesticide policies, programs and practices.

ORGANIZATION:

- A. For the United States Department of Agriculture (USDA)
 1. Deputy Secretary of Agriculture
 2. Administrator, Agricultural Marketing Service (AMS)
 3. Administrator, National Agricultural Statistics Service (NASS)
 4. Administrator, Economic Research Service (ERS)
 5. Administrator, Human Nutrition Information Service (HNIS)

B. For the United States Environmental Protection Agency (EPA)

1. Assistant Administrator, Office of Prevention, Pesticides and Toxic Substances

C. For the United States Department of Health and Human Services, Food and Drug Administration (FDA)

1. Deputy Commissioner for Policy

AGENCY ROLES AND LEGAL AUTHORITIES:

EPA regulates the use of pesticides in the United States, under the Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA), by registering pesticides for specified uses after review of scientific data adequate to demonstrate that such uses will not result in unreasonable adverse effects to human health or the environment. Additionally, under the Federal Food, Drug, and Cosmetic Act (FFDCA), EPA sets tolerances (maximum permissible residue levels) for those pesticide uses that cause residues in food or animal feed. FDA, under the FFDCA, and USDA's Food Safety and Inspection Service, under the Meat and Poultry Inspection Acts, and AMS, under the Egg Products Inspection Act, enforce EPA tolerances for products under their respective jurisdictions.

For its decisions on pesticide uses and tolerances, EPA requires data on food consumption by U.S. consumers. The USDA Human Nutrition Information Service (HNIS) carries out national dietary surveys partially to satisfy this EPA need, as well as to supply data in support of other Federal agency programs and the National Nutrition Monitoring System. HNIS' authority to carry out these activities is derived from the act which established USDA in 1862 and from the National Nutrition Monitoring and Related Research Act of 1990.

EPA also uses data from monitoring of pesticide residues in the food supply to determine ongoing pesticide dietary exposures. In addition to enforcement monitoring data, EPA also utilizes data from FDA's targeted pesticide-commodity surveys and Total Diet Study to evaluate exposures. Still, prior to 1990, most pesticide residue monitoring was directed toward enforcement, rather than to gathering exposure-oriented data that is representative of the food supply. In 1991, USDA established the Pesticide Data Program, the subject of this MOU, to gather such data through cooperative efforts with participating States and provide other critical information needed by agencies regulating pesticides and their residues. AMS oversees PDP activities within USDA under the broad authority of the Agricultural Marketing Act of 1946. AMS collects and reports pesticide residue data on foods through cooperative efforts with participating States. Also under the authority of this Act and as part of PDP, NASS collects and reports statistically reliable State-level data on chemicals used on food crops to EPA, FDA, AMS, ERS, HNIS, and the public. Finally, under the same Act, ERS compiles information from multiple sources to estimate

the economic implications of alternative pesticide regulations, policies and practices to reduce pesticide residue levels in agricultural commodities.

REVISION: Not Applicable

EFFECTIVE DATE: June 1, 1992

LOCATION: Washington, D.C. Metropolitan Area

RESPONSIBILITIES:

A. The Agricultural Marketing Service, USDA shall:

1. Provide overall management of PDP's Pesticide Residue Data Program and keep EPA, FDA, NASS, ERS, and HNIS informed of the program's activities.
2. Develop and implement, through coordination with EPA, FDA, HNIS, and participating States, uniform protocols to be used by all participating States for sampling, laboratory analysis, and data handling and reporting (including use, wherever possible, of FDA's data codes). The goal of AMS is to achieve statistically defensible sampling plans for pesticide/crop combinations to reduce the uncertainty in risk assessments for EPA's regulatory decisionmaking process.
3. Provide to EPA, FDA, NASS, ERS, and HNIS summary reports of PDP residue findings, and provide these agencies with an opportunity to comment before public release of these reports. AMS shall also provide detailed results, including access to the residue data base, to these organizations, as requested. AMS shall also provide FDA with timely notification of apparent violative findings. In addition, AMS shall also inform participating States to follow established agreements which the States have with FDA to notify FDA field offices through existing reporting channels of apparent violative findings.
4. Develop, through consultation with EPA, FDA, NASS, ERS, HNIS, and participating States, the Annual Program Plan for the Pesticide Residue Data Program by the beginning of each calendar year. This plan shall identify, at a minimum: commodities selected for sampling; the number of samples to be taken within each participating State; procedures for selecting the samples; pesticide residues of interest for laboratory analysis; name or other reference to the methods of analyses to be used for the designated pesticide

residues; and, procedures for handling and reporting results of the residue analyses. Until 1994, 6-month plans shall be developed to ensure efficient operations, after which time, annual plans shall be prepared.

5. Schedule periodic working level meetings between AMS, other affected USDA agencies, EPA, FDA, and participating States to discuss and resolve problems of mutual interest in the conduct of the Pesticide Residue Data Program.
6. Provide for flexible program response capability to meet unexpected needs of EPA, FDA, NASS, ERS, HNIS, and participating States.

B. The National Agricultural Statistics Service, USDA shall:

1. Carry out, through consultation with EPA, AMS, and ERS, on-farm pesticide use and economic surveys for selected crops.
2. Provide to EPA, FDA, AMS, ERS, and HNIS results of the pesticide use surveys.

C. The Economic Research Service, USDA shall:

1. Develop studies of the economic implications of alternative pesticide regulations, policies and practices to reduce pesticide residue levels in agricultural commodities in consultation and cooperation with EPA, FDA, AMS, NASS, and HNIS.
2. Provide to EPA, FDA, AMS, NASS, and HNIS the results of these studies.

D. The Human Nutrition Information Service, USDA shall:

1. Carry out, in consultation with EPA and FDA, food consumption surveys and surveys of knowledge and attitudes about diet and health.
2. Develop and maintain, in consultation with EPA and FDA, a Food Grouping System (FGS) to facilitate conversion of food intake data from surveys into forms that support estimation of exposures to residues.
3. Provide to EPA, FDA, AMS, NASS, and ERS results of food consumption and related surveys, results of intakes of commodities and food groupings from FGS, and appropriate access to FGS as requested by the respective agencies.
4. Provide, to the extent possible, for flexible response capability to meet unexpected needs of EPA, FDA, AMS, NASS, and ERS.

E. The Environmental Protection Agency shall:

1. Provide to AMS and FDA, by April 1 of each year a list, by priority, of pesticide residues and commodities of interest to be considered for inclusion in the Pesticide Residue Data Program for the next year.
2. Provide to AMS, NASS, ERS, HNIS, and FDA identification of EPA's pesticide use, residue and food consumption information needs that can be satisfied by the respective agencies.
3. Provide AMS with EPA's requirements for sampling, laboratory analyses, and data handling and reporting for the Pesticide Residue Data Program.
4. Provide to HNIS and FDA identification of foods, commodities, or commodity groupings for which intake data results from FGS will be required.

F. The Food and Drug Administration shall:

1. Provide to EPA, AMS, NASS, ERS, and HNIS reports on the results of FDA's residue monitoring and compliance programs, including access to the residue data base.
2. Upon request by AMS, NASS, ERS, or HNIS, identify FDA's pesticide-related information needs that may be met by these agencies' programs.

G. It is mutually agreed that:

1. EPA, FDA and USDA shall keep each other informed of activities within their respective agencies that affect or relate to PDP, including the coordination of laboratory analytical methods research.
2. EPA, FDA and USDA shall participate on an executive level steering committee chaired by the Deputy Secretary of Agriculture. The purpose of the steering committee is to assist USDA in developing the yearly program plans for PDP, as well as to help resolve issues and unexpected problems affecting PDP. The steering committee shall meet at least two times each fiscal year. AMS shall make all meeting arrangements and handle other administrative details for the committee.

BASIS OF COOPERATION: This Memorandum of Understanding defines in general terms the basis on which the parties concerned will cooperate, and does not constitute a financial obligation to serve as a basis for expenditures. Each party will handle and expend its own funds. Any and all expenditures from Federal funds in the Department of

Agriculture made in conformity with the plans outlined in the Memorandum of Understanding must be in accord with Department rules and regulations, and in each instance based upon appropriate finance papers. Expenditures made by any other cooperator will be in accord with its rules and regulations. The responsibilities assumed by the cooperating parties under this Memorandum of Understanding are contingent upon funds being available from which expenditures legally may be met.

MEMBER OF CONGRESS CLAUSE: No Member of Congress or resident commissioner shall be admitted to any share or part of this agreement or to any benefit to arise therefrom, unless it be made with a corporation for its general benefit.

DURATION: This agreement shall continue in force indefinitely. It may be amended or terminated by mutual consent of the parties in writing. It may be terminated by any single party upon 60 days' notice in writing to the other parties.

This agreement is hereby approved for the United States Department of Agriculture.

Done at Washington, D.C. on 6/3/92
(Date)
Orville R. Ralston
Administrator
Agricultural Marketing Service

This agreement is hereby approved for the United States Environmental Protection Agency.

Done at Washington, D.C. on 6/19/92
(Date)
Linda G. Fisher
Assistant Administrator
Office of Prevention, Pesticides and
Toxic Substances

This agreement is hereby approved for the U.S. Food and Drug Administration.

Done at Washington, D.C. on 6/26/92
(Date)
William K. Ralston
Deputy Commissioner for Policy

CHANGES TO THE PESTICIDE DATA PROGRAM

Mr. DURBIN. Last year, Mr. Haley said that the PDP program could quickly change at the request of EPA to address risk assessment priorities for registration of special pesticide review issues. Since last year's hearing, has EPA requested any significant changes to the program?

Ms. MASSARO. Yes, the EPA has modified our pesticide testing schedule. These modifications required the PDP to test for additional pesticide/commodity pairs.

Mr. DURBIN. Has the Food and Drug Administration requested any significant changes to the program?

Ms. MASSARO. The FDA did not specifically request changes to the program. However, they did express interest in the PDP's capability to collect information on shipping container labeling of post-harvest fungicide use, and to collect data on residues detected from post-harvest applications in edible product. This information adds to the FDA's ability to enforce tolerances.

Mr. DURBIN. What is the status of these requests?

Ms. MASSARO. In November 1992, the EPA presented a major revision in their pesticide testing priorities. The PDP responded by including 13 additional pesticides in January 1993, some of which had been detected and reported in 1992. In addition, the PDP implemented technology for the N-methyl carbamates, of which four were on the EPA list—aldicarb plus metabolites, oxamyl, methomyl, and thiodicarb—as methomyl metabolite. The EPA also requested that all commodities be included within pesticide/commodity pairs for all multi-residue testing methods for chlorinated pesticides, organophosphates and carbamates. This change doubled the EPA data request. For compounds not covered by the January program changes, the PDP is implementing specialty methodology during 1993 for the detection of formetanate, an insecticide used in fruit—apples, grapefruit, oranges, and peaches—also for avermectin, a major acaricide used in the production of citrus commodities.

In March 1993, the EPA requested that another carbamate, carbaryl, be immediately added to the system and that we include propargite in the system when practical. Propargite was found in peaches sampled in 1992.

The EPA has expressed an interest in benomyl data for all 12 commodities currently tested in the PDP program. The initial request included only four commodities. The EPA also expressed a need for information on thiophanate-methyl as the parent compound—common metabolite as benomyl—in six commodities. This request resulted from a heightened interest in the toxicology and safety of this compound. The PDP is planning to implement this request in stages over the next year at the APHIS laboratory.

Our testing capacity is at the limit of available resources for 1993, when the program will collect 10,000 samples and perform 37,500 separate analyses. In less than two years, the PDP has met its initial purpose to provide answers regarding the presence of target pesticides in selected commodities to the EPA. Our semianual report, which details residue findings from January through June 1992, will be released in early April 1993.

PESTICIDE DATA PROGRAM AUTOMATION

Mr. DURBIN. We are aware that you hired a contractor to develop and document the mission, analysis concept, and automated data processing plan for PDP. For the record, can you provide us with a copy of the contractor's plan? What did this contract cost?

Ms. MASSARO. I will provide a copy of the four part document, which will include a mission analysis, a concept development, an implementation plan, and an automated data processing plan. The cost of the contract was \$90,137.

[CLERK'S NOTE.—The document is too lengthy to include in the record and will be retained in Committee files.]

PESTICIDE DATA PROGRAM EXPENDITURES

Mr. DURBIN. For the record, would you provide us details of expenditures for fiscal years 1991, 1992, and 1993. Include a break out of how much was spent for Federal administrative costs and how much went to each state? Also, provide how much went to purchase one-time equipment costs.

Ms. MASSARO. I will be happy to submit that for the record.

[The information follows:]

PESTICIDE DATA PROGRAM

Expenditure	Fiscal year		
	1991	1992	1993
Funding appropriated.....	\$11,862,000	\$11,862,000	\$11,563,000
Federal administrative cost	1,552,000	1,283,000	1,628,000
One-time equipment costs.....	800,000	161,000	364,000
Contractual agreements with cooperating states:			
California.....	3,400,000	3,200,000	2,425,000
Colorado.....		150,000	50,000
Florida.....	1,300,000	1,200,000	1,350,000
Michigan.....	1,100,000	900,000	1,000,000
New York.....	1,000,000	1,300,000	1,725,000
North Carolina.....		250,000	75,000
Ohio.....		300,000	125,000
Texas.....	1,300,000	1,300,000	1,250,000
Washington.....	1,000,000	750,000	400,000
Contracts with other federal agencies.....	333,000	733,000	1,171,000
Total expenditures	11,785,000	11,527,000	11,563,000

PDP COOPERATIVE AGREEMENT

Mr. DURBIN. Would you also provide for the record specifics on the contracts with each state, including cost and time frames in which the contract ran?

Ms. MASSARO. I will provide copies of the 1992 cooperative agreements for each nine participating States. The language in each of these agreement is very similar and states the services to be provided by the States, the support given by the Federal Government, as well as the mutual responsibilities of both parties.

[CLERK'S NOTE.—The document is too lengthy to be included in the record and will be retained in Committee files.]

AMS STATUTES

Mr. DURBIN. The Agricultural Marketing Service administers more than 50 statutes that are designed to ease and promote fair-trading practices for agricultural commodities based on measures of quality, safety, and wholesomeness. For the record, would you provide us a listing of each of these statutes and which ones are funded through user fees and which need appropriated funds?

Ms. MASSARO. I will provide for the record a table that reflects each statute and their source of funding.

[The information follows:]

MARKET NEWS SERVICE

Appropriations: Agricultural Marketing Act of 1946, Section 203(g); Cotton Statistics and Estimates Act of 1927; Naval Stores Act; Tobacco Statistics Act; Tobacco Inspection Act of 1935; U.S. Cotton Futures Act; Peanut Statistics Act.

User Fees for Printing, Postage, and Handling of Market News Reports: Agriculture & Food Act of 1981, Section 1121.

VOLUNTARY INSPECTION AND GRADING

Appropriations: Food Security Act of 1985 (Appropriations for spot checks of Canadian potato imports).

User Fees: Agricultural Marketing Act of 1946, Section 203(h); Cotton Statistics and Estimates Act of 1927; Tobacco Inspection Act of 1935; Dairy and Tobacco Adjustment Act of 1983 (Inspection of imported tobacco).

STANDARDIZATION

Appropriations: Agricultural Marketing Act of 1946, Section 203(c); U.S. Cotton Futures Act; United States Cotton Standards Act; Naval Stores Act; Wool Standards Act.

MANDATORY INSPECTION (EGG PRODUCTS)

Appropriations; User Fees for Overtime: Egg Products Inspection Act.

MARKET PROTECTION AND PROMOTION

Appropriations: Agricultural Fair Practices Act; Capper Volstead Act; Export Apple and Pear Act; Export Grape and Plum Act; Federal Seed Act.

User Fees: Cotton Research and Promotion Act; Egg Research and Consumer Information Act; National Wool Act of 1954; Plant Variety Protection Act; Potato Research and Promotion Act; Dairy and tobacco Adjustment Act of 1983; Honey Research, Promotion and Consumer Information Act; Beef Promotion and Research Act of 1985; Pork Promotion, Research and Consumer Information Act of 1985; Watermelon Research and Promotion Act; Soybean Promotion, Research and Consumer Information Act of 1990; Pecan Promotion and Research Act of 1990; Mushroom Research, Promotion and Consumer Information Act of 1990; Lime Research, Promotion and Consumer Information Act of 1990; Fluid Milk Promotion Act of 1990.

UNFAIR TRADING PRACTICES

Appropriations: Agricultural Fair Practices Act.

User Fees: Perishable Agricultural Commodities Act; Produce Agency Act.

MARKETING ORDERS

Appropriations (for Federal administration and supervision only): Agricultural Marketing Agreement Act of 1937.

PESTICIDE DATA PROGRAM

Appropriations: Agricultural Marketing Act of 1946.

PESTICIDE RECORDKEEPING

Appropriations: 1990 Food, Agriculture, and Conservation Act—Title XIV, Subtitle H, Sec. 1491.

NATIONAL LABORATORY ACCREDITATION PROGRAM

User Fee (not yet implemented): 1990 Food, Agricultural, and Conservation Act—Title XIII, Subtitle B.

SEED LABELING ENFORCEMENT

Appropriations: Federal Seed Act.

PLANT VARIETY CERTIFICATION

User Fee: Plant Variety Protection Act.

WHOLESALE MARKET DEVELOPMENT AND FEDERAL-STATE MARKETING IMPROVEMENT PROGRAMS

Appropriations: Agricultural Marketing Act of 1946, Sections 203(i) and 204(b).

ORGANIC STANDARDS

Appropriations (USDA Advisory Committee funding); User Fee (not yet implemented): 1990 Food, Agriculture, and Conservation Act, Title XXI.

TRANSPORTATION SERVICES

Appropriations: Agricultural Marketing Act of 1946, Section 203(j); Agricultural Adjustment Act of 1938; Agricultural Trade and Assistance Act of 1954; Rural Development Act of 1972; International Carriage of Perishable Foodstuffs Act of 1982.

COMMODITY PURCHASES

Appropriations: Section 32 of the Act of August 24, 1935.

AMS TESTING SERVICES

Mr. DURBIN. As part of the agency's food safety activities, AMS has indicated that it does analytical testing for microbiological and chemical constituents in processed dairy products, eggs, meat, poultry, and fruits and vegetables in support of voluntary grading, certification, laboratory accreditation, and acceptance programs. Does AMS do any microbiological and/or pathogen testing for other than the egg program? If so, for what purposes and how is this reported?

Ms. MASSARO. AMS provides microbiological and/or pathogen testing for the agency's commodity purchasing programs for ground beef and pork, diced cooked chicken, and various dairy products, such as nonfat dry milk and cheese. These tests are used to determine product compliance with published product specifications. The product vendors receive an AMS laboratory analysis report.

AMS laboratories also provide voluntary microbiological testing services for certification of products for export. This service enables exporters to export to countries that require the AMS testing certificate as a condition for export. Each applicant receives a laboratory testing certificate for each unit of product tested.

Laboratory services are also provided to the peanut industry under a marketing agreement for testing raw peanuts and peanut products for the chemical pathogen aflatoxin, a waste product of certain molds. Testing certificates are provided to the individual

applicant, and the industry marketing committee. All findings on samples in excess of the FDA guidelines are reported to the FDA. In addition, monthly summary reports for all aflatoxin testing are provided to FDA and industry officials.

The agency also provides microbiological and/or pathogen testing to assist in the resolution of emergencies. An example is the salvage operation on surplus stored products involved in last year's fire in Kansas. AMS also provides advice and technical assistance to other government and state agencies.

DUPLICATION OF ACTIVITIES

Mr. DURBIN. Is any of this a duplication of FSIS or FDA activities?

Ms. MASSARO. None of AMS' microbiological and/or pathogen testing is a duplication of testing programs in FSIS or the FDA. The purchase specification testing we conduct is not a regulatory program. It is a service provided to individual vendors for a fee. If the product does not meet specifications, the agency does not purchase it. Aflatoxin testing is performed for a fee to the peanut industry under a Memorandum of Understanding with the FDA that eliminates redundancy in testing.

NAFTA AND AMS

Mr. DURBIN. As you are aware, there are a lot of mixed emotions related to the North American Free Trade Agreement (NAFTA). Obviously, some agricultural industries will fare better than others. Can you describe for us, with some specifics, the areas in which the AMS is involved in the NAFTA agreement, including the sanitary and phytosanitary requirements and cross border access negotiations?

Ms. MASSARO. There are several areas in which AMS is involved in the NAFTA agreement. Issues for AMS include transportation and the trading of fruits and vegetables, cotton, poultry, eggs, egg products, and dairy products. I would be happy to provide more specific information for the record.

[The information follows:]

CROSS-BORDER ACCESS

AMS represented the Department in the land transportation negotiations under the NAFTA agreement, which encompassed the cross-border access issues. The NAFTA increases cross-border access for U.S. trucking companies by giving them the right to obtain operating authority from the Mexican government for carriage of international cargo. For the first time, U.S. trucking companies will have the right to use their own drivers and equipment for shipments into Mexico. Mexican carriers have completely controlled the cross-border market. These changes will decrease truck congestion at borders and improve the efficiency of cross-border trucking operations. The agreement will open the way for U.S. investment in Mexican trucking companies. It will also allow U.S. trucking firms to set up international cargo subsidiaries in Mexico or make equity investments in existing companies in Mexico. The agreement also validates the market-oriented reforms undertaken by the Mexican National Railroad, which have produced greater access for U.S. railroads into Mexico.

FRUITS AND VEGETABLES

A provision of the NAFTA would require AMS to amend regulations that implement section 8e of the Agricultural Marketing Agreement Act of 1937. These

amendments would accord equal application of minimum quality requirements for domestic and imported raw fruits and vegetables destined for processing. AMS would institute measures to ensure that imported goods are processed. Currently, certain imports of raw fruits and vegetables must meet minimum quality import requirements without regard to their final disposition. Under domestic Federal marketing orders, shipments of fresh fruits and vegetables destined for processing are exempt from Federally mandated minimum quality requirements. The NAFTA agreement seeks to ensure that Mexico and Canada treat imports destined for processing the same as domestic product, thereby ensuring consistency with Article III of the General Agreement on Tariffs and Trade.

COTTON

AMS sells copies of the official USDA cotton grade standards to Mexican cotton firms, and these standards are subject to phytosanitary requirements under current regulations. We do not expect these procedures to change under the NAFTA agreement. For the 1992-1993 marketing year (which ends July 31, 1993), Mexico ranks as the third largest buyer of U.S. cotton, behind Japan and Korea.

POULTRY, EGGS, AND EGG PRODUCTS

AMS administers a grading program and an inspection program that may be affected by the NAFTA agreement. We grade shell eggs and poultry upon request for a user fee. This service, authorized by the Agricultural Marketing Act, permits USDA to certify products as meeting established Federal grade standards. While Canada has a program similar to ours for certification of poultry and poultry products, including eggs, Mexico does not.

We conduct mandatory continuous inspection of egg products processing plants to assure that liquid, frozen, and dried egg products are wholesome, unadulterated, and properly packaged and labeled. This program applies both to domestic and imported egg products. Foreign countries wanting to export egg products to the U.S. must have an inspection system equivalent to the one established in this country. USDA has approved Canada's egg products inspection system as equivalent to ours. Mexico has not.

Following the U.S./Canada Free Trade Agreement, we have held a number of bilateral meetings with Canadian counterparts to harmonize requirements of our grading and inspection programs. Substantial progress has been made in this regard. While we envision few problems in proceeding with this effort with Canada, we are not certain how these programs will be affected by the entry of Mexico under NAFTA.

DAIRY PRODUCTS

AMS has held meetings with officials from Agriculture Canada and drafted a comparison of compositional requirements for dairy products. We also provide quality and sanitary certifications to Mexico for such products as nonfat dry milk and butter oil.

MARKETING AGREEMENTS AND ORDERS

Mr. DURBIN. Can you describe for us how marketing orders will be treated under NAFTA?

Ms. MASSARO. NAFTA will not affect the operation of U.S. Federal marketing orders.

MARKETING ORDERS USER FEES

Mr. DURBIN. The President's budget proposes several user fees. Some of these appear to be directed at the Agricultural Marketing Service. As in past years, the Administration proposed user fees for such things as marketing orders. Can you describe for us exactly how the user fee for marketing orders would work and how the costs would be applied and collected? Please identify who the beneficiaries are.

Ms. MASSARO. We have several alternatives for allocating our costs to administer the Federal milk orders and the fruit, vegetable, and specialty crop marketing agreements and order. Among the alternatives are assessments based on actual Federal costs incurred for each order, based on the size of the local administrative budget, or based on the volume of product handled. Considerations include the costs we would incur in tracking the charges and the need for cost consistency for planning.

The industries regulated by marketing agreements and orders are already charged fees for local administration of the program. That assessment would be increased to recover the cost of Federal oversight. The direct beneficiaries of marketing orders are the producers and processors of the regulated commodities.

STANDARDS USER FEES

Mr. DURBIN. It also appears as though the Administration will propose user fees for standardization activities. Could you provide us, for the record, a table which would show the distribution by commodity of user fees for standardization? Please show the increase to the beneficiary's costs if this user fee were authorized.

Ms. MASSARO. I will provide for the record a table that reflects user fees for standardization, by commodity, and the expected increase to the fees charged to beneficiaries.

[The information follows:]

Grading program	Total standards costs	Cost increase to beneficiaries	Percentage increase to beneficiaries
Cotton classing	\$1,196,000	\$.07/bale (est.)	3.6
Dairy grading	444,000	1.40/hour	3.5
F&V fresh	805,000	1.00/hour	1.9
F&V processed	600,000	1.00/hour	2.7
Meat grading	928,000	1.00/hour	2.8
Poultry grading	347,000	.56/hour	1.9
Domestic tobacco	263,000	.01/cwt (est.)	1.4

SALMONELLA AND EGG PRODUCTS INSPECTION

Mr. DURBIN. *Salmonella enteritidis* is a problem that continues to plague the egg industry. We are aware that both FDA and APHIS, in addition to AMS, work on *Salmonella enteritidis* problems. AMS inspects for *Salmonella enteritidis* in the Egg Products Inspection Program. Have you found any instances of *Salmonella enteritidis* in your inspection work?

Ms. MASSARO. Yes, *Salmonella enteritidis* has been detected during egg products testing.

Mr. DURBIN. How do you handle the product if *Salmonella enteritidis* is detected?

Ms. MASSARO. All egg products are pasteurized to kill any bacteria that might be present. If we detect *Salmonella enteritidis* during testing of the pasteurized product, we require the egg products to be repasteurized and reprocessed to destroy the pathogenic bacteria. Meanwhile, the product is controlled by AMS to assure that it does not enter consumer channels.

COTTON STANDARDS

Mr. DURBIN. The cotton industry is concerned about the cotton grade standards. Have you published new standards for separate characteristics for color and leaf?

Ms. MASSARO. New standards for color and leaf were published in the Federal Register on August 5, 1992, and will be effective for classing the 1993 crop. These new standards establish separate grades for color and leaf, but they are based on the existing cotton grade standards.

Mr. DURBIN. How can you assure that USDA's grading standards won't be that much different from what the trade thinks cotton is worth?

Ms. MASSARO. While the color and leaf grades will have to be evaluated separately as to the value of each component, the trade will be familiar with the two quality components. In the past, these components were evaluated together to indicate the grade of the cotton.

HIGH-VOLUME INSTRUMENT CLASSIFICATION

Mr. DURBIN. The Agricultural Marketing Service has gone to the high-volume instrument classification method for cotton classing. This is significantly more costly than the traditional method. Last year, Mr. Haley indicated that over time he expected these costs to drop considerably as classification procedures and improvement in efficiency occurred. Tell us how that is working out so far. Is there any indication that the HVI method is more consistent than the previous method?

Ms. MASSARO. High Volume Instrument—HVI—testing has proven to be more consistent than earlier methods. Only two of the six quality factors provided by HVI were available using manual classing methods. Both HVI and manual micronaire and fiber length testing were performed during crop years 1987 through 1990. During those years, classing results were 13% more consistent with HVI testing.

Mr. DURBIN. Do you see a reduction in inspection costs yet?

Ms. MASSARO. Yes, we have reduced inspection costs. The per bale classification cost for crop year 1992 was \$1.96 as compared to \$2.03 per bale in 1991. The lower cost in 1992 was made possible primarily through productivity increases. Our increasing use of HVI systems was largely responsible for these productivity increases. We expect further productivity gains in the years ahead through manufacturer's improvements to the instruments and through improved operator performance.

LIMITATION ON ADMINISTRATIVE EXPENSES

Mr. DURBIN. What is the status of your limitation on administrative expenses account for fiscal year 1993? Do you anticipate exceeding the limit?

Ms. MASSARO. The limitation on administrative expenses for FY 1993 is \$55,953,000. Obligations for this account from October 1, 1992 through January 1, 1993 are \$21,166,401. January 31, 1993 is the latest month for which complete information is available. The

Agricultural Marketing Service does not anticipate exceeding this limitation.

LABORATORY ACCREDITATION PROGRAM

Mr. DURBIN. Can you provide us the status of the Gulfport, Mississippi, Laboratory Accreditation Program?

Ms. MASSARO. The USDA APHIS National Monitoring & Residue Analysis Laboratory in Gulfport, Mississippi is operational. The Gulfport lab is working with AMS and FDA to develop initial fruit and vegetable proficiency check samples. We will provide these check samples to laboratories applying for accreditation when the National Laboratory Accreditation Program begins. The Gulfport lab will also develop semiannual fruit and vegetable check samples that are required to maintain accreditation.

Mr. DURBIN. Has all equipment been purchased, training accomplished, and is that laboratory now doing accrediting work for USDA?

Ms. MASSARO. All equipment has been purchased to accommodate the participation of approximately 100 to 150 laboratories in the program. The existing staff has been trained in sample preparation, pretesting, reporting and sample submission to applicant laboratories.

Mr. DURBIN. What are the annual costs of this laboratory?

Ms. MASSARO. The fiscal year 1992 and fiscal year 1993 annual costs of this laboratory will be provided for the record.

[The information follows:]

	Fiscal year	
	1992	1993
APHIS.....	\$825,000	\$723,000
AMS Pesticide Data Program.....	500,000	569,000
AMS National Laboratory Accreditation Program.....	400,000	0
ASCS.....	60,000	142,000
Forest Service.....	4,000	0
Total APHIS laboratory costs.....	1,789,000	1,434,000

Mr. DURBIN. How many staff people are there for fiscal year 1993?

Ms. MASSARO. The Gulfport laboratory has a staff of 21 permanent employees, one temporary employee, two stay-in-school students and seven temporary employees.

LABORATORY ACCREDITATION STANDARDS

Mr. DURBIN. Has the FDA provided standards for the National Laboratory Accreditation Program?

Ms. MASSARO. The FDA has provided draft standards for our review before official submission to USDA. The proposed proficiency standards for accreditation of laboratories include specific groupings of 40 pesticides in 15 fruits and vegetables.

MARKET NEWS OFFICES

Mr. DURBIN. Please provide for the record a list of current market news offices.

[The information follows:]

Cotton market news seasonal offices are located in Birmingham, AL; Visalia, CA; Memphis, TN; and Lubbock, TX. These market news offices are consolidated with permanent classing offices.

The dairy market news office is located in Madison, WI. This market news office is consolidated with the Dairy grading office.

Fruit and vegetable market news offices are located in: Nogales, AZ; Phoenix, AZ; San Francisco, CA; Miami, FL; Idaho Falls, ID; Chicago, IL; Jessup, MD; Benton Harbor, MI; Walden, NY; Cincinnati, OH; Yakima, WA; and Inwood, WV. In addition, Fruit and Vegetable market news offices consolidated with other AMS offices are located in: Los Angeles, CA; Orlando, FL; Forest Park, GA; Thomasville, GA; New Orleans, LA; Everett, MA; Presque Isle, ME; Detroit, MI; St. Louis, MO; New York, NY; Philadelphia, PA; Pittsburgh, PA; Dallas, TX; McAllen, TX; and Seattle, WA. State offices who have cooperative agreement with AMS to provide market news are located in: Montgomery, AL; Fresno, CA; Sacramento, CA; Salinas, CA; Greeley, CO; Honolulu, HI; Baton Rouge, LA; Boston, MA; Bridgeton, NJ; Buffalo, NY; Rochester, NY; Asheville, NC; Faison, NC; Raleigh, NC; Oklahoma City, OK; Columbia, SC; Austin, TX; Onley, VA; and Richmond, VA. Fruit and Vegetable market news offices are generally located at the terminal site for efficient reporting or in state provided office space.

Livestock and Grain market news offices are located in: Montgomery, AL; Little Rock, AR; Phoenix, AZ; Visalia, CA; Greeley, CO; Sioux City, IA; National Stock Yards, IL; Springfield, IL; Dodge City, KS; Louisville, KY; Baton Rouge, LA; St. Joseph, MO; Billings, MT; West Fargo, ND; Oklahoma City, OK; Lancaster, PA; Sioux Falls, SD; San Angelo, TX; San Antonio, TX; Richmond, VA; Moses Lake, WA; and Torrington, WY. In addition, Livestock and grain market news offices consolidated with other AMS offices are located in: Orlando, FL; Thomasville, GA; Des Moines, IA; South St. Paul, MN; Omaha, NE; Albany, NY; Portland, OR; Columbia, SC; Nashville, TN; and Amarillo, TX. Livestock and grain market news offices are generally located close to auction markets for efficient reporting; Sometimes, states provide office space.

Poultry market news offices are located in: Atlanta, GA; Jackson, MS; and Edison, NJ. In addition, Poultry market news offices consolidated with other AMS offices are located in: Bell, CA; Des Moines, IA; Glen Ellyn, IL; and Kansas City, MO. Poultry market news offices are generally located close to plants for efficient reporting.

Tobacco market news seasonal offices are located in Valdosta, GA and Florence, SC. The Tobacco market news offices in Lexington, KY and Raleigh, NC are consolidated with Tobacco inspection offices.

MARKET NEWS

Mr. DURBIN. Were any market news offices closed or merged during fiscal year 1992?

Ms. MASSARO. There were no market news offices closed or merged during fiscal year 1992.

Mr. DURBIN. Do you have any plans for closing or merging any market news offices during fiscal year 1993?

Ms. MASSARO. We plan to collocate our San Antonio, Texas Livestock and Grain Market News office with the APHIS Plant Protection and Quarantine office in El Paso, Texas, at the border crossing.

FIELD OFFICE CONSOLIDATION

Mr. DURBIN. Is the Agricultural Marketing Service part of the overall study of USDA to consolidate field offices?

Ms. MASSARO. Yes, the Agricultural Marketing Service is taking an active role in the Department's field office consolidation study.

We consistently work to minimize our field office structure. We have reduced the number of our offices by 40% over the last ten years.

MARKET NEWS REPORTS

Mr. DURBIN. Were there any market news reports that were eliminated or consolidated during fiscal year 1992? Do you have any plans to eliminate or consolidate market news reports in fiscal year 1993?

Ms. MASSARO. Yes, in fiscal year 1992 the fruit and vegetable report for Salinas, California was consolidated with the Phoenix, Arizona report. The Eastern Region Turkey Review was eliminated. There are no plans to eliminate or consolidate any market news reports in fiscal year 1993.

EGG PRODUCTS INSPECTION AND HACCP

Mr. DURBIN. Almost every inspection agency is leaning toward the use of a Hazard Analysis Critical Control Point or HACCP system. In January 1992, you completed a study of the HACCP process for the Egg Products Inspection Program. At last year's hearing, Mr. Haley said AMS was not able to implement a HACCP program until it discussed with industry the findings from this study. Have you, in fact, implemented the HACCP program and if not, why not?

Ms. MASSARO. A HACCP program has not yet been implemented in the egg products inspection program. Our review of HACCP has shown that many egg products inspection procedures already in use are aligned with basic HACCP principles. However, we are developing a fully HACCP-based inspection program for trial in egg products processing plants. During the past year, we met with members of the United Egg Association—UEA—a national organization of egg products processors to discuss our plans to set up HACCP principles in egg products plant inspection. In May, we will continue these discussions at a meeting of the UEA in Washington, D.C.

NATIONAL ORGANIC STANDARDS BOARD

Mr. DURBIN. Last year, Congress provided funds for advisory committees and boards. One of those the Secretary of Agriculture chose to fund was the National Organic Standards Board. For the record, please provide us a list of all members appointed to the Board and what meetings were held in fiscal year 1992 and what you propose for fiscal year 1993.

Ms. MASSARO. The Secretary of Agriculture appointed the fourteen members to the National Organic Standards Board on January 24, 1992. I would be happy to provide the meeting dates and a list of the members for each legislatively required category for the record.

[The information follows:]

FARMER/GROWERS

Leroy Dean Eppley—Wabash, Indiana; Robert Martin Quinn—Big Sandy, Montana; Nancy Ann Taylor—Potlach, Idaho; Craig Vincent Weakley—Yuba City, California.

HANDLER/PROCESSORS

Eugene Benjamin Kahn—Rockport, Washington; Richard C. Theuer—Chesterfield, Missouri.

RETAILER

Margaret Andrews Clark—Bainbridge, Washington.

CONSUMER/PUBLIC INTEREST

Merrill Ann Clark—Cassopolis, Michigan; Donald M. Kinsman—Storrs, Connecticut; James Michael Sligh—Greenville, South Carolina.

ENVIRONMENTALISTS

William J. Friedman, IV—Albuquerque, New Mexico; Gary Douglas Osweiler—Boone, Iowa; Thomas Arthur Stoneback—Allentown, Pennsylvania.

SCIENCE

Esper K. Chandler—Edinburg, Texas.

The following meetings were held in fiscal year 1992:

Washington, D.C. March 23-25, 1992—Full Board; Washington, D.C. April 29-May 1, 1992—Accreditation and International Committees; Minneapolis, MN May 4-6, 1992—Crops, Livestock, Processing and Materials Committees; Millbrae, CA June 27-28, 1992—Accreditation Committee; Fort Collins, CO July 7-10, 1992—Full Board; Baltimore, MD September 10-13—Processing and Livestock Committees; Sacramento, CA September 18-19—Crops and Materials Committees; Augusta, ME September 25-30, 1992—Full Board.

Due to a reduced budget, there is only one meeting scheduled for fiscal year 1993. That meeting will be at Kutztown, PA on May 15-21, 1993.

Mr. DURBIN. Last year, in the conference report for appropriations for AMS, the conferees stated they expected all costs for the Organic Certification Oversight Program to be recouped from the industry. What is the status of the Organic Standards Program at this point, and do you intend to recoup all costs from industry?

Ms. MASSARO. The Organic Certification Program is a complex effort to develop regulations. The lack of funds to support National Organic Standards Board meetings has hindered this effort. As a result, the program will not be implemented by the deadline mandated by the Act. The Board hopes to deliver basic recommendations for the program to the Secretary by October 1993. If they meet their goal, the rulemaking process could be conducted in FY 1994. Program activities could then begin in October 1994. There are no plans or provisions to recoup program development from the industry. Once the program begins, full administrative and accreditation costs will be recovered from certification applicants. Program costs supported by the fees will include international harmonization, support for the Board, enforcement, and accreditation.

WHOLESALE MARKET DEVELOPMENT PROJECTS

Mr. DURBIN. For the record, can you provide us a listing and status of all Wholesale Market Development projects underway in fiscal years 1992 and 1993? What is the cost of each project?

Ms. MASSARO. I will be glad to provide that.

[The information follows:]

Chicago South Water Street Market. This project was mandated by Congress for the purpose of rebuilding the South Water Street market within the City of Chicago and revitalizing the Randolph Street market. This is the third year of a three-year program. We are working with the city to improve their old and outdated marketing facilities. The South Water Street market represents over 2,000 jobs. The city administration elected to relocate the markets within the city boundaries to keep the jobs at both markets in the city. We will study the Randolph and Fulton Streets market during the second phase of the project. This phase is now underway, and will extend into FY 1994. We are working with the City of Chicago to define a third phase. Congress budgeted each phase of the project at \$250,000. That amount includes cooperative agreements with the City totaling \$135,000. The balance of the cost is for services performed by AMS personnel.

Benton Harbor Produce Center, Benton Harbor, Michigan. This project is Congressionally mandated. The purpose of the project is to research the best option for installing freezing and chilling capacity in the market. Currently, local growers lack the capacity to chill their products to prepare them for market. This facility will greatly enhance the ability of local small and medium sized growers to market their products in the region. Funding for this project is \$65,000, including \$35,000 for a cooperative agreement with the produce center so that the center could employ local firms to perform parts of the study.

Farmers' Market in Toledo, OH. This project was Congressionally mandated FY 1992 and continues into this year. The project goal is to revitalize the market in Toledo, OH. This revitalization includes an outdoor growers' market and an indoor sellers' market within the downtown business district. This year's budget, which will complete the project, is \$35,000.

Maine. Congress identified funding for this project. The purpose of the project is to evaluate the feasibility of an agricultural marketing center in Southeastern Maine. Small to medium volume growers in Maine have difficulty getting their products to market. This facility will provide an opportunity for these growers to tap the market demand in the major metropolitan areas of the region. The project's budget for this year is \$36,800.

Northeastern Kentucky Farmers' Market. This is a cooperative effort between the Kentucky Department of Agriculture and AMS to develop a new marketing facility in the northeastern area of the State. AMS completed a study that found a need for such a facility. Our technicians are working with local officials in the preliminary planning stages of the project. The budget for this project was \$61,500. We allocated \$40,000 of the budget to the State to contract for work at the local level.

Columbia and Springfield, Missouri Farmers' Markets. Preliminary work has been completed to revitalize the Farmers' Markets in these cities. This work was a cooperative effort between AMS and state and local officials. We expect to receive proposals to fund the further development of these facilities. The budget for the project was \$29,500, including \$3,000 to print the final report.

Columbia, South Carolina wholesale and Farmers' Markets. Survey work was completed on this project in FY 1992. The objective is to replace an antiquated and inefficient wholesale marketing facility in Columbia, South Carolina. The budget for this project is \$32,000.

Ashtabula, North Carolina Farmers' and Public Market, and North Market in Columbus, Ohio. Local officials want to revitalize historic facilities in the downtown areas and create a farmers' and indoor public sellers' market. Both projects are in the planning stage. Including cooperative agreements with the local authorities, we expect expenditures for both projects to be \$130,000.

Mid-Hudson Regional Farmers' Market, Newburg, New York. This project was initiated because of Congressional interest. It is designed to develop a produce market center in the Mid-Hudson region of New York, and is in the preliminary discussion stages. We cannot estimate the funding required at this time.

Jackson, Mississippi Farmers' Market. Preliminary work and site visits were started in August 1992. We are doing a site capacity study. Costs at this stage are minimal. Most of the work will occur in FY 1994.

Mr. DURBIN. Do you have any proposals to do additional Wholesale Market Development projects in fiscal years 1993 and 1994? If so, in which areas?

Ms. MASSARO. I will provide that information for the record.

[The information follows:]

Current projects that will continue from FY 1993 to FY 1994 are: Chicago—Phases 2 and 3; Northeastern Kentucky Farmers' Market; Columbia, South Carolina Wholesale Farmers' Market; Maine—if the feasibility study is positive; Ashville, North Carolina Public Market; North Market in Columbus, Ohio; Mid-Hudson Regional Farmers' Market—if the feasibility study is positive; Jackson, Mississippi Farmers' Market.

Additional projects being discussed with local or State officials include: Thomasville, Georgia Farmers' Market; an ancillary market in New York City, to supplement the Hunts Point Terminal Market; a project in Gulfport, Mississippi to initiate a feasibility study to construct a farmers' market; a study to construct a new floral market in Los Angeles, California.

DAIRY PROMOTION PROGRAM

Mr. DURBIN. We continue to read about the conflicts within the dairy industry related to the Promotion Board. Secretary Espy has been quoted as saying he will offer a referendum vote to dairy producers. Can you tell us the status of the referendum?

Ms. MASSARO. For the past two years, there has been a petition drive to gather enough signatures to require the Secretary to call a referendum on the Dairy Promotion Program. The signature drive was concentrated primarily in the Midwest. In early March, USDA received producer petitions with over 16,000 signatures calling for a referendum. The Secretary has said that USDA will hold a producer referendum on whether to continue the Program, but details regarding the referendum have not been completed.

MINNESOTA-WISCONSIN MILK PRICE SERIES

Mr. DURBIN. The 1990 Farm Bill authorized a study of the Minnesota-Wisconsin Milk Price Series. AMS held a series of hearings around the country to address this issue. Could you tell us the status of the study and the potential for implementing the new Milk Price Series during fiscal year 1993?

Ms. MASSARO. AMS completed a study of alternatives to the Minnesota-Wisconsin price series for use in Federal milk orders. We released the "Study of Alternatives to Minnesota-Wisconsin Price" in November 1991. The Department then held a 5-day hearing on the issue in June 1992. Recommendations are now being developed. An alternate pricing mechanism probably could not be in place during the current fiscal year because of the many steps involved in the rulemaking process.

PESTICIDE RECORDKEEPING PROGRAM

Mr. DURBIN. The 1990 Farm Bill authorized the Agricultural Marketing Service to begin a Pesticide Recordkeeping Program. Last year, Mr. Haley testified that the regulations for that program were being reviewed within the Department. What is the status of that program?

Ms. MASSARO. The regulations for the Pesticide Recordkeeping Program are currently at OMB for final review and approval. They will become effective 30 days after publication in the Federal Register.

Mr. DURBIN. Do you anticipate having to provide funds to States to operate this program?

Ms. MASSARO. We do not anticipate the need to provide additional funds to States in fiscal year 1994 to operate this program.

Under a Memorandum of Understanding, AMS is working in cooperation with the EPA to prevent duplication with its recordkeeping program for commercial applicators. In addition, AMS, in cooperation with the Extension Service, EPA, and the States, is conducting an education program to inform applicators of the law. The National Agricultural Statistical Service has had a high response rate to its existing pesticide use survey, which will be used to report to Congress.

RESEARCH AND PROMOTION PROGRAMS

Mr. DURBIN. The 1990 Farm Bill provided for several research and promotion programs. For the record, will you please provide us a listing of all the newly authorized promotion programs and the status of each, including what funds are on hand and activities taken during fiscal year 1992?

Ms. MASSARO. The 1990 Farm Bill authorized national research and promotion programs for mushrooms, pecans, limes, soybeans, and fluid milk. During fiscal year 1992, the Department published a proposed Mushroom Promotion, Research, and Consumer Information Order and held a public meeting on the proposed order. We conducted a referendum to determine if mushroom producers and importers favored the program. A majority of the voting producers and importers favored implementation of the program. Therefore, the order became effective on January 8, 1993. The Department conducted nomination meetings throughout the country in February 1993. In May, the Secretary is expected to appoint nine producer members to serve on the initial Mushroom Council. The following month, the council is expected to hold its organizational meeting in Washington, D.C. Assessments on domestic and imported mushrooms will begin after the Council meets, recommends an assessment rate and budget, and the Secretary approves the Council's recommendations.

A proposed Pecan Promotion and Research Plan was published for public comment in December 1991. The plan became effective on May 1, 1992. Nomination meetings were conducted that month. The Secretary appointed eight pecan growers, four pecan shellers, one pecan handler, and their respective alternates to serve on the initial Pecan Marketing Board in early August 1992. The Board's organizational meeting was held in Washington, D.C. in late August, and assessments on domestic and imported pecans began in September. As of January 31, the Board has collected \$403,956 while expenses have totaled \$137,005. Ten percent of the funds collected must be held in escrow until after the initial referendum is held. So far, the Board has conducted market research to aid in developing a promotional plan. This year, the Board will nominate individuals to serve as public and importer members. The Department is expected to conduct the initial referendum to determine if pecan growers, grower/shellers, and importers favor continuation of the program.

The Lime Research, Promotion, and Consumer Information Order became effective on January 27, 1992. Nomination meetings were conducted in March, and the Secretary appointed seven producers, three importers, and four of their alternates to the initial

Lime Board in September. The Board's organizational meeting was held last October. The program is now on hold, however, because it was learned that the scientific name for the variety of limes to be covered by the program was incorrect. The program can become operational after Congress makes a technical correction to the Lime Research, Promotion, and Consumer Information Act, and the same change is made to the order.

The Soybean Promotion and Research Order was published on July 9, 1991. Assessments began September 1, 1991. Total assessments under the Act are almost \$50 million per year. However, net funding to the National Board, the United Soybean Board, is about \$20 million per year, after refunds and since State programs use one-half of the funds. During the United Soybean Board's first fiscal year, which ended September 30, 1992, expenditures totaled \$11.1 million. This included \$5.4 million for promotion, \$1.5 million for research, \$1.1 million for consumer information, \$1.1 million for industry information, and \$2.0 million for producer communications. During fiscal year 1992, a final regulation rule and a final amendment to the Order rule were published in the Federal Register adopting interim rules published August 30, 1991. A referendum must be held by July 9, 1994.

The Nation's fluid milk processor group submitted a fluid milk promotion proposal to USDA on August 28, 1992. Under the law, we were to publish the proposal for public comment within 60 days. However, publication has been delayed because of legal questions. We are pursuing those questions with the petitioner.

FEDERAL SEED ACT

Mr. DURBIN. For the record, please provide a five-year table that shows the number of new complaints and the amount of penalties assessed under the Federal Seed Act.

[The information follows:]

	Fiscal year				
	1988	1989	1990	1991	1992
Complaints	953	1,049	697	724	405
Penalties	\$28,250	\$26,325	\$28,325	\$76,075	\$17,950

TRANSPORTATION SERVICES

Mr. DURBIN. For the record please provide a three-year object class table for the appropriations requests covering activities of the old Office of Transportation. Include an object class table for fiscal year 1993.

[The information follows:]

TRANSPORTATION SERVICES OBJECT CLASS

[In thousands of dollars]

	1991 Actual	1992 Actual	1993 Est.
11.9 Total personnel compensation.....	1,357	1,562	1,812
12.1 Civilian personnel benefits.....	302	352	317
21.0 Travel and trans. of persons.....	77	80	106
22.0 Transportation of things.....	1	2	0
23.2 Rental payments to others.....	17	4	0
23.3 Comm., util., and misc. charges.....	80	57	66
24.0 Printing and reproduction.....	45	25	11
25.0 Other services.....	345	299	210
26.0 Supplies and materials.....	35	133	5
31.0 Equipment.....	107	93	57
32.0 Land and structures.....	5	6	0
99.9 Total obligations.....	2,371	2,613	2,584

TRANSPORTATION MODES

Mr. DURBIN. Please provide a table showing the various modes of transportation used to move agricultural products and the volumes moved by each during the past five years.

Ms. MASSARO. I will provide the requested information plus an explanation for the record.

[The information follows:]

U.S. agricultural products move by a variety of modes. Factors that influence the mode of transportation used by shippers include the commodity's value, perishability, location of production, and the length of the haul. Information on the predominant transport modes used in the marketing of specific agricultural products follows below. Data is presented in tabular form for two major agricultural commodities, fresh fruits and vegetables and grain.

Although the volumes are extremely small, air transportation is important in the marketing of fresh, cut flowers, and some berry fruits. Shippers have also used air transportation for movement of breeding livestock and shipments of bees.

Trucking is the mode of transportation used to move the bulk of raw agricultural commodities and processed agricultural products in the United States. Flexibility and speed of delivery have allowed trucking to capture large market shares in the movement of most agricultural products. Over 95% of livestock and meat products are transported via motor carrier due primarily to their perishable nature. Fruits and vegetables are also transported to market primarily by truck. In the U.S., all milk sent to market and distributed by truck, as are most processed agricultural products.

Large volumes of grain and grain products are sent to market primarily by barge and rail transportation in the United States. Here, speed of delivery is less and perishability is not a problem.

Table 1 shows the modal share of fresh fruit and vegetable shipments between 1987 and 1992:

TABLE 1.—MODAL SHARES OF FRESH FRUIT AND VEGETABLE TRANSPORTATION, 1987–92

Year	Rail		TOFC *		Truck	
	Tons	Percent	Tons	Percent	Tons	Percent
1987.....	1,705,400	6.2	1,537,600	5.6	24,182,900	88.2
1988.....	1,583,500	5.6	1,397,800	4.9	25,467,100	89.5
1989.....	1,547,750	5.5	1,317,300	4.7	25,356,450	89.9
1990.....	1,375,200	4.0	1,106,750	4.0	24,990,950	90.4
1991.....	1,255,333	4.6	909,600	3.4	25,091,185	92.0
1992.....	1,540,550	5.3	950,850	3.3	26,391,050	91.4

* Trailer on Flat Car

Source: USDA, AMS.

Table 2 shows the latest data available on the various modes of transportation used to move bulk grain in the United States.

TABLE 2.—MODAL SHARES FOR ALL U.S. GRAINS, 1985–1990

Year	Rail		Barge		Truck	
	Thous. tons	Percent	Thous. tons	Percent	Thous. tons	Percent
1985.....	116,443	42.0	57,806	20.9	102,732	37.1
1986.....	125,249	45.3	51,835	18.8	99,172	35.9
1987.....	150,405	45.9	62,447	19.1	114,642	35.0
1988.....	157,532	45.5	62,753	18.1	125,880	36.4
1989.....	143,622	45.4	67,313	21.3	105,365	33.3
1990.....	146,990	45.0	68,566	21.0	111,347	34.1

Note.—Barge tonnages for 1990 are preliminary. Secondary sources of data necessary to determine barge shipments are typically not made available for several years following primary collection.

Source: USDA, AMS.

RAIL CARS

Mr. DURBIN. It seems to be an annual problem recently, there have been articles in the media related to the availability of rail cars for grain shipment. Can you describe for us exactly what the situation is related to availability of rail cars for grain shipments?

Ms. MASSARO. The adequacy of the Nation's covered hopper grain car fleet continues to be a concern for both the Department and grain shippers throughout the country. Since 1988, additions to the covered hopper fleet have been insufficient to compensate for normal fleet retirements and losses. This autumn's record harvest placed unusually high demand on the railcar supply. Many regions have faced car availability problems since then. Driven by recent increases in U.S. grain exports, particularly for wheat, demand for railcar capacity continues to outpace availability. Rail carriers are currently telling shippers to expect delays of as long as three months in receiving empty railcars for loading. USDA has consistently alerted industry and government officials of the potential for such persistent and recurring railcar shortages. As early as 1989, USDA projected that shortages of railcars would persist, and even grow worse, through the 1990's if substantial additions were not made to the Nation's grain car fleet. Although rail carriers have added some new grain cars since then, these additions have been fewer than the normal attrition rate for existing cars. This winter's problems have again focused attention on the severity of the problem.

RESEARCH ACTIVITIES

Mr. DURBIN. For the record, please provide us a list of all research activities, including the subject, who is doing the research, and the cost of each contract for any research other than what occurs through the Federal-State Marketing Improvement Program.

[The information follows:]

Solid Waste Research Study. This study addresses the solid waste disposal problems encountered at wholesale market facilities throughout the country. The objective of the study is to develop a reference manual for use by operators of individual markets.

Market Simulations Research Study. We are developing simulation programs to study Wholesale Market capacities and the alleviation of costly congestion. The objective of this study is to improve operations at Wholesale Markets throughout the country.

Competitiveness Study. The University of Florida is cooperating with AMS on this project. The goal of the project is to study elements of the distribution chain to identify opportunities for the small to medium sized grower to make contact with the small to medium sized seller. We are now in stage one of this study. The study will determine marketing methods available to growers to satisfy specific demands of buyers who need products that are not being efficiently supplied by large scale agriculture. The project cost is \$20,000.

Analysis of the Impact of Canadian Rail Transport Subsidies on U.S. Hay, Dried Pea, and Lentil Exports. In cooperation with Washington State University, AMS analyzed the impact of the Canadian Crow's Nest rail subsidies for hay, dried pea, and lentil exports on the competitive position of U.S. and Canadian exporters of those products. The cost of the contract was \$15,000.

Ocean Shipping Regulation and The Shipping Act of 1984. Under a cooperative agreement with AFE, Inc., AMS is conducting an analysis of ocean shipping and the impact of the conference system and ocean freight rate increases on the export competitiveness of U.S. agricultural products. This work is being undertaken in anticipation of Congressional hearings on maritime policy. The cost of the contract is \$25,000.

Mexico's Transportation, Distribution, and Logistical Infrastructure for Agricultural Products. AMS is working with California State University, Fresno to analyze the costs and benefits to U.S. agricultural trade associated with changes to Mexico's transportation infrastructure and distribution systems. The cost of the contract is \$12,000.

Comprehensive overview of rail restructuring in rural America. This research will examine rural rail abandonments since deregulation of rail following the Staggers Act of 1980. The study will analyze the economic impact of rail abandonments on rural communities throughout the United States, review the emergence of short line railroads in rural areas and the service they offer, and analyze the capability of rural rail service to meet the needs of agricultural and rural mobility. The research is being conducted under a Cooperative Agreement with the Upper Grant Plains Transportation Institute located at North Dakota State University. The Cooperative Agreement is for \$45,000, and continues until December 31, 1993. The Agreement covers the cost of printing and distributing the report.

Agricultural shippers and their use of rural rail service. This research is related to the Cooperative Agreement with the Upper Great Plains Institute (described above). Work is being conducted within AMS.

Report on the status and condition of rural bridges. We are evaluating the status and condition of rural bridges that are more than 20 feet in length, using the National Bridge Inventory database maintained by the U.S. Department of Transportation. The research is being conducted by AMS.

Examination of the impact of the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA) on rural areas. The research project is designed to examine funding levels for surface transportation in rural America (highways and bridges) under ISTEA, compared to the previous surface transportation program. In addition, post-ISTEA condition data are being compared to previous condition data. The purpose of the project is to evaluate the impact of ISTEA on the condition of surface transportation in rural America, and to provide the information to rural transportation decision-makers at national, state and local levels. The research is being conducted within AMS.

Feasibility of Small Ports Serving as an Outport for Identity-preserved or Specialty Crops from the Pacific Northwest. The research was being conducted on a cooperative agreement by the University of Washington at Pullman at a cost of \$10,000.

Scanner Technology Research. The University of Delaware's Department of Food and Resource Economics is evaluating fresh produce delivery scheduling, consumer buying patterns, and loss control techniques through the use of scanner data from selected supermarkets. The cost is \$12,500.

Portable Farm-Built Cooler. A cooperative agreement with the University of Maryland, College Park, for \$5,000 assists in the development of portable farm-built cooling and packaging equipment.

Salmonella in Transport Equipment. A cooperative agreement with the University of Maryland, College Park, for \$20,000 was conducted to determine the time, temperature, and chemical requirements to destroy salmonella in poultry transport equipment.

PAYMENTS TO STATES AND POSSESSIONS PROJECTS

Mr. Durbin. Please provide for the record a list of the projects that were approved for the Payments to States and Possessions program during fiscal year 1992 and those approved for fiscal year 1993. Also provide a brief description of each project.

[The information follows:]

FEDERAL-STATE MARKETING IMPROVEMENT GRANTS, FISCAL YEAR 1992

State	Project	Amount
Arkansas.....	Develop standard procedures for harvesting and storing frozen berries and juice formulation.	\$45,000
California	Research and development of model marketing and education programs; special project on marketing local lamb; and development of organizational fee for service system in Sonoma County.	80,000
Do	Assess market information needs and capabilities of all segments of the organic industry..	25,000
Do	Conduct a literature review and identify alternative Kenaf market outlets that would appear feasible to Central California producers.	24,199
Colorado.....	Determine production and disposal costs to assess the market demand for biodegradable replacements of petroleum based (styrofoam) products.	36,000
Connecticut.....	Determine consumer attitudes towards aquacultured Long Island Sound shellfish.....	30,000
Do	Continuation of a project to expand farmer access to local markets in the New England region.	45,000
Delaware.....	Examine the mid-Atlantic market for crawfish.....	14,000
Florida	Initiate, develop, and publish a plant export guide and video program to provide growers with information necessary to successfully export plants.	74,000
Idaho	Provide technical education to organic food producers, value-added processing and new product development.	36,000
Iowa	Study the effect of market news information on feeder pig and feeder cattle producers, as it relates to market efficiency.	31,687
Indiana.....	Improve the market position of small farmers and specialty crop producers through the development of demographically correlated strategic plans for revitalizing community farmers' markets in the East North Central Region.	41,230
Louisiana	Determine existing and potential markets for Kenaf products.....	37,875
Massachusetts	Establish a two-tier, alternative marketing project to improve agricultural profitability and sustainability in Massachusetts in the 1990s.	16,750
Do	Help defray the costs of a temporary product development specialist to assist in southeastern New England Coastal Region expanded strategies in cooperative niche marketing.	41,428
Michigan.....	Continuation of the study to expand the market study for purple plums through the development and marketing of plum paste and plum juice.	30,600
Minnesota.....	Increase the scale and efficiency of agricultural direct marketing in Minnesota.....	65,000
Mississippi	Train producers in grading and packaging produce, including management controls for vegetable packing sheds.	75,000
Missouri.....	Pursue a systematic means of identification, consistency, and capability for following a product through the market process.	40,000
Nebraska	Evaluate the industrial use of beef tallow and the implementation strategy for market production of tallow-based biodiesel in Nebraska.	29,000
New York	Develop a more up-to-date and comprehensive export directory for New York State food and agricultural products.	42,119
North Carolina	Educate consumers on the nutritional benefits of peanuts and peanut products.....	10,000
North Dakota	Create and improve market outlets for primary agricultural grain products.....	59,975
Oregon.....	Develop and initiate a market program for Oregon caneberries in the food services industry.	40,000
Pennsylvania.....	Determine whether production has reached critical mass to support lamb market development efforts.	30,000
Do	Develop a marketing model for the aquaculture industry in central Pennsylvania.....	50,000

FEDERAL-STATE MARKETING IMPROVEMENT GRANTS, FISCAL YEAR 1992—Continued

State	Project	Amount
Texas.....	A continuation of the study to evaluate the value determination system for the U.S. pork industry.	121,219
Virginia.....	Determine the demand for lamb in the Washington, D.C. area	9,918
Washington.....	Inventory Yakima Valley products and services for innovation in domestic and international trade development.	55,000
Wisconsin.....	Identify research on new uses and product development in the region	14,000

FEDERAL-STATE MARKETING IMPROVEMENT GRANTS, FISCAL YEAR 1993

State	Project	Amount
Alabama.....	Assess an integrated marketing and educational strategy mix to assist small farmers and low income consumers in Montgomery.	\$42,566
Florida.....	Develop a voice market information system for AMS field offices, and upgrade the program to make it more user friendly.	50,000
Virgin Islands.....	Process, package and market fish and lettuce and determine the selling price, market outlets and size of the markets in the recirculating fish culture system.	60,000

PAYMENTS TO STATES BY GEOGRAPHIC AREA

Mr. DURBIN. Please provide an updated five-year table that appears on page 26 of last year's hearing record.
[The information follows:]

PAYMENTS TO STATES AND POSSESSIONS—OBLIGATIONS BY GEOGRAPHIC AREA, FISCAL YEARS 1988–1992

State	1988	1989	1990	1991	1992
Alabama.....		\$30,000	\$65,000		
Arizona.....				\$40,000	
Arkansas.....		47,445	129,400	40,000	\$45,000
California.....			75,000		129,199
Colorado.....	\$40,000	100,000	33,000		36,000
Connecticut.....			45,000	60,000	75,000
Delaware.....				39,969	14,000
District of Columbia.....					15,625
Florida.....		50,000	75,000	45,000	74,000
Georgia.....				50,000	
Guam.....			23,425		
Idaho.....	59,200	60,000			36,000
Indiana.....	60,000				26,000
Iowa.....					31,687
Kansas.....	50,000	30,000	25,000	50,000	
Kentucky.....		26,744			
Louisiana.....		20,000			37,875
Maine.....			96,000		
Maryland.....		86,934		30,000	58,178
Massachusetts.....	15,000	87,595	70,225	72,143	
Michigan.....		60,000	45,000	53,500	30,600
Minnesota.....					65,000
Mississippi.....				85,000	75,000
Missouri.....	40,000	45,000	47,250		40,000
Nebraska.....	93,785	56,000		40,356	29,000
New Jersey.....		23,850		66,500	
New Mexico.....				16,266	
New York.....					42,119

PAYMENTS TO STATES AND POSSESSIONS—OBLIGATIONS BY GEOGRAPHIC AREA, FISCAL YEARS
1988–1992—Continued

State	1988	1989	1990	1991	1992
North Carolina.....			11,000	30,543	10,000
North Dakota.....		63,444		111,720	59,975
Oklahoma.....	80,000		65,000	51,818	
Oregon.....	20,000		16,000	120,000	40,000
Pennsylvania.....				26,000	80,000
Rhode Island.....			36,000		
South Carolina.....			41,500		
South Dakota.....				7,500	
Tennessee.....			30,000		
Texas.....	347,925	47,320	84,974	165,000	120,824
Vermont.....		15,000			
Virgin Islands.....			60,383		
Virginia.....	45,000	39,546	65,089	31,429	9,918
Washington.....	75,000		80,000		55,000
West Virginia.....				17,240	
Wisconsin.....					14,000
Wyoming.....	16,090	53,122	16,754		
Total.....	942,000	942,000	1,236,000	1,249,984	1,250,000

FIELD OFFICE LOCATIONS

Mr. DURBIN. For the record, please provide a list of the field office locations for other than Market News locations, by commodity group.

[The information follows:]

Cotton field offices:

Pelham, AL*	Florence, SC
Dumas, AR	Memphis, TN*
Phoenix, AZ	Abilene, TX
Visalia, CA*	Corpus Christi, TX
Macon, GA	El Paso, TX
Rayville, LA	Harlingen, TX
Hayti, MO	Lamesa, TX
Greenwood, MS	Lubbock, TX*
Altus, OK	Waco, TX
Clemson, SC	

Dairy field offices: Glen Ellyn, IL*

Federal Milk Market Administration field offices:

Little Rock, AR	Omaha, NE
Phoenix, AZ	Albuquerque, NM
Winter Park, FL	Albany, NY
Atlanta, GA	Syracuse, NY
Boise, ID*	Columbus, OH
Glen Ellyn, IL*	Middleburg Heights, OH
Evansville, IN	Tulsa, OK
Indianapolis, IN	Beaverton, OR
Overland Park, KS	Knoxville, TN
Louisville, KY	Amarillo, TX
Covington, LA	Carrollton, TX
Boston, MA	Alexandria, VA
Arbutus, MD	White River Junction, VT
Berkley, MI	Seattle, WA
Edina, MN	Germantown, WI
Maryland Heights, MO	Madison, WI
Springfield, MO	Stevens Point, WI
Charlotte, NC	

Fruit and Vegetable field office.—Fresh Products Grading:

Dothan, AL*	Buffalo, NY
Little Rock, AR*	New York, NY*
Phoenix, AZ	Cleveland, OH
Burlingame, CA	Reynoldsburg, OH
Los Angeles, CA*	Oklahoma City, OK
Sacramento, CA	Salem, OR
Denver, CO	Harrisburg, PA*
Hartford, CT	Philadelphia, PA*
Miami, FL	Pittsburgh, PA*
Winter Haven, FL*	Wilkes Barre, PA
Albany, GA	Ft. Buchanan, PR*
Forest Park, GA*	Warwick, RI
Boise, ID*	Columbia, SC*
Glen Ellyn, IL*	Knoxville, TN
Indianapolis, IN	Memphis, TN
Fort Mitchell, KY	Nashville, TN*
Louisville, KY	Alamo, TX
New Orleans, LA*	Dallas, TX*
Everett, MA*	El Paso, TX
Beltsville, MD	Houston, TX
Presque Isle, ME	San Antonio, TX
Detroit, MI*	Salt Lake City, UT
Grand Rapids, MI	Falls Church, VA
St. Paul, MN	Norfolk, VA
Kansas City, MO*	Suffolk, VA*
St. Louis, MO*	Kent, WA
Williamston, NC	Olympia, WA
Newark, NJ	Stevens Point, WI
Albany, NY*	Charlestown, WV
Bronx, NY	

Processed Products Grading:

Fresno, CA*	Portland, ME
Los Angeles, CA*	North Brunswick, NJ*
Stockton, CA	Salem, OR
Denver, CO*	Ft. Buchanan, PR*
Winter Haven, FL*	Weslaco, TX
East Point, GA	Richmond, VA
Glen Ellyn, IL*	Takima, WA
South Bend, IN	Ripon, WI
Hunt Valley, MD	

Perishable Agricultural Commodities Act field offices:

Tucson, AZ	Arlington, TX*
Glen Ellyn, IL*	Manassas, VA*
North Brunswick, NJ*	

Fruit and Vegetable Marketing Agreements and Orders field offices:

Fresno, CA*	Portland, OR*
Winter Haven, FL*	McAllen, TX*

Meat Grading and Certification field offices:

Bell, CA*	Omaha, NE*
Denver, CO*	Amarillo, TX*
Des Moines, IA*	Arlington, TX*
Glen Ellyn, IL*	

Livestock and Seed field office.—Beltsville, MD*

Poultry and Egg Grading field offices:

Cullman, AL	Salisbury, MD
Little Rock, AR*	Augusta, ME
Modesto, CA*	S. St. Paul, MN*
Riverside, CA	Kansas City, MO*
Denver, CO*	Pearl, MS
Valrico, FL	Gastonia, NC*
Gainesville, GA	Raleigh, NC
Des Moines, IA*	Albany, NY*
West Lafayette, IN	Pickerington, OH

Harrisburg, PA*
Columbia, SC
Austin, TX

Harrisonburg, VA
Seattle, WA*

Science Division field offices.—Laboratories:

Dothan, AL*
Graceville, FL (Aflatoxin)
Lakeland, FL (Aflatoxin)
Winter Haven, FL*
Albany, GA
Ashburn, FA (Aflatoxin)
Blakely, GA

Camilla, GA (Aflatoxin)
Dawson, GA (Aflatoxin)
Chicago, IL
Aulander, NC (Aflatoxin)
Gastonia, NC*
Madill, OK (Aflatoxin)
Suffolk, VA*

Pesticide Data Program.—Manassas, VA*
Plant Variety Protection.—Beltsville, MD*

Tobacco Inspection field offices:

Lexington, KY*

Raleigh, NC*

*These offices are consolidated with other AMS offices.

LIMITATION ON ADMINISTRATIVE EXPENSES ACCOUNT

Mr. DURBIN. For the record, please provide an object class table for fiscal years 1991, 1992, and 1993 for the amounts covered by the limitation on administrative expenses account.

[The information follows:]

ADMINISTRATIVE LIMITATION—OBJECT CLASSIFICATION

[in thousands of dollars]

	Fiscal Year		
	1991 actual	1992 actual	1993 estimate
Personnel compensation:			
11.1 Full-time permanent.....	\$11,879	\$12,764	\$15,940
11.3 Other than full-time permanent.....	7,681	10,990	9,508
11.5 Other personnel compensation.....	1,963	2,399	2,517
11.9 Total personnel compensation.....	21,523	26,153	27,965
12.1 Personnel benefits: Civilian.....	4,078	3,881	4,214
13.0 Benefits for former personnel.....	1,363	1,354	1,690
21.0 Travel and transportation of persons.....	3,205	2,976	5,047
22.0 Transportation of things.....	620	945	1,182
23.1 Rental payments to GSA.....	302	356	526
23.2 Rental payments to others.....	2,179	2,123	2,586
23.3 Communications, utilities and miscellaneous charges.....	4,637	5,188	7,120
24.0 Printing and reproduction.....	122	137	175
25.0 Other services.....	1,909	2,141	3,201
26.0 Supplies and materials.....	1,060	1,175	1,459
31.0 Equipment.....	1,089	652	788
32.0 Lands and structure.....	1	4	.....
42.0 Insurance claims and indemnities.....	40	1	.....
43.0 Interest and dividends.....	2	5	.....
99.0 Total obligations.....	42,130	47,091	55,953

EMERGENCY SURPLUS REMOVAL

Mr. DURBIN. Please provide the amounts expended for emergency surplus removal and disaster relief for each of the past ten years.

[The information follows:]

Emergency surplus removal

[In thousands of dollars]

Fiscal year:	Amount
1983.....	\$75,437
1984.....	99,191
1985.....	58,111
1986.....	44,122
1987.....	12,054
1988.....	98,325
1989.....	7,359
1990.....	26,474
1991.....	54,284
1992.....	102,928

Disaster relief

[In thousands of dollars]

Fiscal year:	Amount
1983.....	None
1984.....	None
1985.....	None
1986.....	None
1987.....	None
1988.....	\$3,253
1989.....	None
1990.....	1,743
1991.....	5,642
1992.....	11,175

EXPORT PURCHASES

Mr. DURBIN. Please provide a ten-year table showing all section 32 purchases that we use for export and describe for us which commodities and countries received these export commodities.

[The information follows:]

Export purchases

[In thousands of dollars]

Fiscal year:	Amount
1983.....	None
1984.....	None
1985.....	None
1986.....	None
1987.....	None
1988-1989.....	\$8,149
1989-1990.....	3,788
1990-1991.....	15,366
1991.....	None
1992.....	24,762

Fiscal year	Commodities	Countries received
1988-1989	Sunflowerseed Oil	Egypt.
1989-1990	Sunflowerseed Oil	Algeria.
1990-1991	Sunflowerseed Oil	Algeria, Egypt.
	Cottonseed Oil	Egypt, Turkey, Venezuela.
1992	Sunflowerseed Oil	Algeria, Egypt, Mexico, Former Soviet Union.
	Cottonseed Oil	Dominican Republic, Egypt, El Salvador, Turkey, Venezuela.

SECTION 32 COMMODITY PURCHASES

Mr. DURBIN. Please provide for the record an update of the table that appears on page 34 of last year's hearing for fiscal year 1991 and 1992.

[The information follows:]

SECTION 32 COMMODITY PURCHASES FISCAL YEAR 1991 AND 1992

[In thousands]

Item	1991 actual		1992 actual	
	Pounds	Obligations	Pounds	Obligations
Almond butter.....	17,908	\$21,220		
Almonds, Slivered.....			1,553	\$3,199
Apple Slices, Canned.....	14,415	6,460	11,799	4,914
Apples, Fresh.....	6,442	1,612	5,677	1,916
Applesauce.....	25,914	7,794	22,069	6,453
Apricots, Canned.....			7,927	4,019
Asparagus, Canned.....	2,457	1,695	1,428	1,101
Asparagus, Frozen.....	320	401	277	365
Beans, Dry.....	27,961	6,104	32,244	6,513
Beans, Green, Canned.....	8,889	2,346	24,317	6,218
Beans, Green, Frozen.....	928	349	3,858	1,251
Beans, Refried, Canned.....	3,742	1,103	6,999	2,146
Beans, Vegetarian, Canned.....	21,672	4,986	16,806	3,351
Beef, Frozen Ground.....	86,927	112,859	102,600	131,168
Beef patties.....	29,008	35,393	32,069	40,233
Caneberry, Puree.....			2,515	2,016
Catfish, Filet Strips.....			252	733
Catfish, Whole.....			2,700	4,860
Chicken, Chilled.....	13,248	6,706	11,413	5,711
Chicken, Cooked.....			2,106	2,406
Chicken, Diced.....	2,910	6,355	10,280	22,916
Chicken, Frozen, Cut-Up.....	59,151	34,205	60,224	30,601
Chicken, Nuggets.....			777	1,199
Corn, Canned.....	20,858	6,660	31,963	9,160
Corn, Frozen.....	17,335	8,409	2,927	1,078
Date pieces.....	3,960	2,302	3,060	2,398
Eggs, Whole, Frozen.....	7,119	4,316	9,693	4,669
Grape Juice, Canned.....			10,649	3,601
Ham, Cooked, Frozen.....			15,912	24,549
Mixed Fruit, Canned.....			9,200	4,810
Peaches, Canned.....			21,248	10,522
Peaches, Frozen.....			12,240	7,949
Pears, Canned.....			42,652	17,008
Pears, Fresh.....	4,568	1,500	4,077	1,236
Peas, Canned.....			7,159	2,205
Peas, Frozen.....	7,662	2,930	5,647	2,000
Pineapple, Canned.....	6,657	3,249	9,006	4,694
Plums, Canned.....	2,932	1,021		
Pork, Canned.....	1,515	2,260	12,498	16,107
Pork, Frozen, Ground.....	21,893	25,050	18,295	16,597
Potatoes, Dehydrated.....			9,630	4,996
Potato Rounds, Frozen.....	42,934	13,031	25,979	6,258
Potatoes, French Fries.....	30,355	8,842	27,088	6,698
Prunes, Dried.....	6,157	5,756		
Raisins.....	11,963	6,378		
Raspberry puree.....	281	237		
Salmon, Canned.....	5,012	8,355	3,434	5,760
Strawberries, Frozen.....			3,247	1,974
Sweet Potatoes, Canned.....	15,534	5,655	7,450	3,008
Tomatoes, Crushed.....			7,773	2,200
Tomatoes, Paste.....			4,200	1,565
Tomatoes, Whole.....			5,728	1,754

SECTION 32 COMMODITY PURCHASES FISCAL YEAR 1991 AND 1992—Continued

[In thousands]

Item	1991 actual		1992 actual	
	Pounds	Obligations	Pounds	Obligations
Tuna, Canned	5,573	7,711	5,746	6,684
Turkey, Burgers, Frozen			1,547	1,594
Turkey, Chilled	5,975	4,078		
Turkey, Frozen, Ground	7,070	5,237	8,230	5,994
Turkey, Roast	14,738	19,387	12,694	16,723
Turkey, Whole, Frozen	10,991	7,549	42,300	24,868
Walnuts, English	3,482	5,670		
Undistributed				32
Total	576,456	405,172	741,162	501,980

PROCESSED COMMODITIES INVENTORY MANAGEMENT SYSTEM

Mr. DURBIN. For several years, the Agricultural Marketing Service has been working along with the Food and Nutrition Service and the Agricultural Stabilization and Conservation Service to provide a way for a multi-agency managed Processed Commodities Program. As of February 1st last year, you had spent over \$42 million on contract costs. What is the total cost so far?

Ms. MASSARO. The contract costs expended on the Processed Commodities Inventory Management System by all of the agencies total \$48.8 million to date.

Mr. DURBIN. Last year, Mr. Haley had indicated that beginning with fiscal year 1993, every function supported by the Processed Commodities Inventory Management System, which includes ordering, procurement, transportation, payable and financing tracking and reconciliation activities will be implemented. Can you describe to us how that activity is going to date?

Ms. MASSARO. The PCIMS effort has succeeded in meeting its goals in fiscal years 1992 and 1993. The system was set up in phases, with the last phase completed in June of 1992. Since then, PCIMS has supported the operation of USDA's processed commodities program.

As part of the implementation of PCIMS, the Tri-Agency Configuration Management Plan was signed in March 1992 by the Administrators of each agency. In June 1992, they also signed a Memorandum of Understanding for Tri-Agency accounting and financial management of PCIMS. In September 1992, the Deputy Administrators of each Agency signed a Memorandum of Understanding for the long-term Tri-Agency organizational structure and system support. During the summer of 1992, the systems preceding PCIMS—a UNIVAC computer and PCI software—were transferred to the National Computer Center in Kansas City. PCI will be completely phased out by the end of 1993. The process to obtain software support services to replace the current sole source contract was started in the summer of 1992. We expect the request for proposals to be released in the spring of 1993 with the contract to be awarded in September.

Mr. DURBIN. Are there any cost savings to having the system that does all these activities?

Ms. MASSARO. The cost and time savings realized by the application of PCIMS are immense. PCIMS is more completely automated than the collection of systems that it replaced. For example, PCIMS produces savings in data entry. The previous incompatible systems required significant rekeying which introduced data errors as it passed from FNS to AMS to ASCS. The primary benefits of PCIMS are better control through access to more accurate, consistent, and timely information; better analysis of purchase alternatives; improved ability to find out the status of an order; and improved routing of orders to meet recipient requirements.

More specifically, PCIMS integrates the requirements of AMS, FNS, and ASCS to save time as data flows through the system. PCIMS creates a common information source and operational tool for the various components of USDA responsible for the Federal Feeding Programs, surplus removal, price support and export programs. This has a significant impact, especially in emergency purchase situations. After a hurricane or earthquake, emergency purchases or existing inventory can be moved from initial planning to actual delivery at a designated location several days faster than previously.

PCIMS also improves the monitoring of vendor performance by providing centrally available historical information on a vendor's past performance. This assists USDA in monitoring contracts, avoiding awards to contractors with a poor performance record, and in promptly recovering when a vendor does not deliver as promised.

Finally, reconciliation of accounts has greatly improved under PCIMS. The Tri-Agency Financial Accounting, or funds control, portion of the system ensures that all three agencies are looking at consistent information that supports more effective financial management of the commodity purchase program.

PERISHABLE AGRICULTURAL COMMODITIES ACT

Mr. DURBIN. For the record, please provide a five-year table showing the reparations awarded related to the Perishable Agricultural Commodities Act.

[The information follows:]

PERISHABLE AGRICULTURAL COMMODITIES ACT REPARATIONS

[Dollars in millions]

Fiscal year	Reparations filed	Amount awarded
1988.....	802	6.5
1989.....	1,144	9.5
1990.....	1,130	12.6
1991.....	1,171	14.7
1992.....	1,217	15.3

Mr. DURBIN. How many notices filed by unpaid sellers were there for the Perishable Agricultural Commodities Act?

[The information follows:]

Notices filed by unpaid sellers

Year:	Notices filed
1988.....	55,281
1989.....	75,351
1990.....	87,762
1991.....	103,879
1992.....	124,467

INTERNATIONAL MARKET NEWS

Mr. DURBIN. Last year, you began an International Market News pilot program. The basic idea was to test the market to find out whether AMS market reporting should be extended to include international markets. What is the status of this project?

Ms. MASSARO. Interest from private industry is very good. AMS is now producing an international report for fresh fruit, vegetable and ornamental crops. The report was first issued in March 1992, with wholesale markets for Mexico, Canada and the U.S. as well as information on commodities imported into the U.S. from Chile, Mexico and the Caribbean Basin. Since then, the report has been expanded to include a wholesale terminal market in England and markets in Canada. This year, we are expanding the report to include more European markets and to investigate the possibility of Pacific Rim countries market information.

TOBACCO STANDARDS

Mr. DURBIN. How much do you spend on appropriated funds each year to set standards for the tobacco programs?

Ms. MASSARO. In fiscal year 1993 we plan to spend \$232,000 in appropriated funds for tobacco standards.

TOBACCO PROGRAMS

Mr. DURBIN. Ms. Massaro, for the record please provide the specific AMS costs associated with the tobacco grading, standards, and market news programs. Please provide the funding levels for each activity for 1992, 1993, and 1994. Which are appropriated funds and which are through user fees?

[The information follows:]

TOBACCO FUNDING

	1992 actual	1993 estimated	1994 estimated
Appropriated:			
Market news.....	\$868,489	\$944,000	\$961,000
Standards.....	205,809	232,000	
User fee:			
Grading.....	12,093,425	15,000,000	15,000,000
Market news.....	2,565	11,000	11,000
Standards.....			236,000

Mr. DURBIN. Are there any other costs to AMS related to the tobacco program?

Ms. MASSARO. There are no other costs to AMS related to the tobacco program.

Mr. DURBIN. All right. Thank you very much. Mr. Skeen?

PESTICIDE DATA COORDINATION

Mr. SKEEN. Thank you, Mr. Chairman. I, too, appreciate the presentation that you made this morning. It was very good. Particularly having been in the wool business most of my life, I appreciate the marketing efforts in that regard. It has been very advantageous.

Let us go back to the PDP program, and I am a little concerned, along with the Chairman, that this is a loosey-goosey operation in some respects. I know the General Accounting Office made some suggestions that you develop closer coordination between EPA, FDA and USDA. And in addition to that, you have States that are doing residues.

How close is the coordination and cooperation between these agencies? I know you are not an enforcement agency, and you are not expected to be. You are the one determining the various levels scientifically, but somewhere along the line there has to be a risk analysis which involves all the people involved in the collection, dispensing, and evaluation of the data. Is there a close-knit coordination going on, including various States?

Dr. REED. Yes, let me address that, Mr. Congressman.

The coordination on this program is extensive, with the States, with EPA, and with FDA.

Mr. SKEEN. Day by day, week by week, month by month?

Dr. REED. At least week by week, sometimes hour to hour depending on the situation.

Mr. SKEEN. Depending on the conditions.

Dr. REED. Let's say we find a violation on a sample. FDA is immediately notified regionally and nationally. That immediate coordination is one of our top priorities.

But we also work with all of the different State systems that do the analyses to make sure that they have the right equipment and people who can answer their questions. When they do a lot of sophisticated analyses we want to be sure they are all working off the same page and doing the same things.

Mr. SKEEN. Do you try to avoid overlap and the redundancy in doing the same kinds of determinations in the same areas of study?

Dr. REED. Yes, redundancy is one of the things we expressly try to avoid, especially when it comes to sampling products in numbers approaching 400 or 500 samples.

I can give you two examples. FDA recently tried an experiment where they considered statistically analyzing tomatoes and pears. These were commodities that EPA asked us to gather information on. Once we found out that FDA wanted to do those analyses, we did not want to overlap, so FDA collected those and we stopped. We moved on to other things.

Ms. MASSARO. I would like to add information on the funding. Essentially most of the money is going to the States, and we oversee the expenditure of those funds at the Federal level.

Mr. SKEEN. So you have that much oversight in the State programs.

Ms. MASSARO. Yes. A lot of the work is done by the States and we work closely with the States.

PDP REPORTING

Mr. SKEEN. You have completed one report. When do you expect to publish another?

Ms. MASSARO. We should have another report by the end of the month. We have brought a brief summary of what is to come, that you can have this morning.

Mr. SKEEN. I have it, yes. Thank you.

Ms. MASSARO. The full report will cover the first half of 1992. It will be a semiannual report.

PDP FUNDING CUT

Mr. SKEEN. What would be the impact on your program if the PDP program is not funded?

Ms. MASSARO. Well, essentially, we will not be able to add any additional information to the database.

Mr. SKEEN. So it would stop there?

Dr. REED. It would stop.

PESTICIDE DATA PROGRAM

Mr. SKEEN. What are the benefits of the Pesticide Data Program?

Ms. MASSARO. The PDP is a residue testing program designed for risk assessment evaluations using statistically valid sampling, where national inferences can be made based on the data. Sampling is based on product consumption and samples are collected close to the consumer, not at the farm gate. In the PDP, the product is already in commerce and not held on a hold-and-test basis. However, identity of product at the point of collection is retained, so that if a violation has occurred the FDA can investigate.

Risk assessments have been based on the assumption that the farmer is using all of the registered pesticides at the maximum allowable rate. We believe farmers are more prudent in their use of pesticides, and that many of the residues could decay before reaching the consumer. This program was developed to collect actual residue data as near to consumption as practicable to support risk assessment models.

The PDP adheres to high data quality standards. All residue findings are documented, not just violations or pesticide of highest concentrations. Hence the PDP provides a current picture of actual residue profiles in commodities. In the first half of 1992, the PDP's state-of-the-art detection technology detected pesticide residues in almost 60 percent of the samples tested. In some commodities residues were detected in 80 percent of tested samples. Many of these pesticide detections have been at levels well below established tolerances. Also, detecting a residue at a very low level implies a minuscule food safety risk in most cases.

With the capability of detecting residues at lower concentrations, more than one pesticide residue was found in many of the samples. In 1992, up to eight residues were found in some samples. Some of these residues have the same pharmacological impact, which could cause an additive effect. This additive effect, such as multiple cholinesterase inhibitors in the same sample, may affect the average daily intake and may result in a reevaluation of the tolerance. The

PDP searches for and verifies all actual pesticide residues so the data can be relied for risk assessment.

Mr. SKEEN. Why should Congress continue to provide funding for the Pesticide Data Program?

Ms. MASSARO. Objective and comprehensive data are needed by the EPA to make informed decisions on the reregistration and special review of pesticides. The EPA's list of 39 pesticides of interest, updated in March 1993, indicates the changing priorities in food safety issues.

The pesticide residue data also provides information that can be used to ascertain the best farm management practices for reducing residues of most concern. The Economic Research Service is a cooperator in this program and is conducting analyses of alternative approaches to pest control.

Good risk management relies on the data base to make informed decisions. Data for risk assessments are carefully and methodically collected over long periods of time reflecting seasonal variations in the marketplace. It would require up to two years to redevelop the necessary program structure to gather and analyze necessary data to effectively respond to public concerns. Organizations which would be needed to effectively respond may not participate due to uncertainty and unreliability of Federal support.

If there are unwanted combinations of pesticide residues in our food supply, then the present use patterns of pesticides in agriculture should be further evaluated. The PDP can provide these data in a statistically valid manner.

Mr. SKEEN. It is my understanding that a recent audit report from the General Accounting Office on the Pesticide Data Program suggested three areas needed to be strengthened. They were: better cooperation among USDA, EPA, and FDA; a better sampling plan to provide representative data on a nationwide basis; and a comprehensive information management plan. Would you please give me a brief report on each of these areas?

Ms. MASSARO. Yes, all of the recommendations were implemented. For the record I will submit a copy of the USDA reply to those recommendations. In summary, a Memorandum of Understanding was signed among all three agencies in June 1992, modifications in the sampling system were implemented in January 1993 to provide statistically valid sampling by using a "proportionate to size" factor, and a comprehensive data base was implemented and will be used to generate comprehensive PDP reports.

[The information follows:]

U.S. DEPARTMENT OF AGRICULTURE: FOOD SAFETY- USDA DATA
PROGRAM NOT SUPPORTING CRITICAL PESTICIDE DECISIONS

Report Number: IMTEC-92-11
Release Date: January 31, 1992
Responding Agency: Office of Finance and Management
Contact: Larry Wilson
Director, OFM
(202) 720-8345

Background: Pursuant to congressional request, GAO reviewed the Department of Agriculture's (USDA) Coordinated Pesticide Data Program to determine whether: (1) the program produces the data needed for making improved pesticide regulatory decisions; and (2) USDA has an effective strategy for managing program data.

Recommendation 1: To help establish a better foundation for the success of USDA's Coordinated Pesticide Data Program, the Secretary of Agriculture, after completing the current data collection effort with the existing 6 states, 7 commodities, and 11 pesticides, should not proceed with further residue data collection activities until the Administrator, of Agricultural Marketing Service (AMS) evaluates, in conjunction with EPA and FDA officials, the results of current data collection efforts.

Reported Status: Action not yet initiated.

Current Status: AMS has completed actions on this recommendation. Completed November 13, 1992:

PDP coordination is a multi-departmental effort with planning, policy, and procedural efforts coordinated between USDA, EPA, and FDA. To accomplish this, USDA has signed a Memorandum of Understanding (MOU) with EPA and FDA in June 1992, emphasizing the coordination efforts needed with each agency and establishing an Executive Steering Committee for long range planning and communication needs. The first meeting of the Executive Committee was held on November 13, 1992, chaired by the Deputy Secretary of Agriculture. The pesticide data being generated is designed to meet EPA's risk assessment requirements, whereas with FDA our cooperative effort is to minimize replication of resources and harmonize data nomenclature systems. AMS shares with FDA information on

violative samples to supplement information provided by the participating States.

USDA maintains its commitment to evaluate data collection needs with EPA and FDA officials as frequently as warranted. AMS has continuously worked with EPA to develop program plans and prioritized both commodities and pesticides to be included in the program, based on the list provided by EPA in July 1990 and three subsequent revisions in the pesticide testing profile, in January and November 1992 and February 1993, for a total of 39 pesticides of which 34 are presently in the testing system. At present, there are 12 commodities in the testing profile. In 1993, 9,360 samples are planned to be collected corresponding to 37,440 individual analyses.

AMS coordinates program activities with the participating States and holds periodic meetings with all agencies concerned to discuss planning and address outstanding program issues. To date, 7 Federal/State PDP meetings were held addressing planning, sampling, analytical testing and data management requirements for PDP.

PDP is the only residue testing program to model its data quality program to meet EPA's "Good Laboratory Practices" guidelines, and has established Standard Operating Procedures for program operation.

U.S. DEPARTMENT OF AGRICULTURE: FOOD SAFETY- USDA DATA
PROGRAM NOT SUPPORTING CRITICAL PESTICIDE DECISIONS

Report Number: IMTEC-92-11
Release Date: January 31, 1992
Responding Agency: Office of Finance and Management
Contact: Larry Wilson
Director, OFM
(202) 720-8345

Background: Pursuant to congressional request, GAO reviewed the Department of Agriculture's (USDA) Coordinated Pesticide Data Program to determine whether: (1) the program produces the data needed for making improved pesticide regulatory decisions; and (2) USDA has an effective strategy for managing program data.

Recommendation 2: The Secretary of Agriculture should direct the USDA Office of Information Resources Management (OIRM), working with USDA components involved in the program to develop and implement an information technology strategy, plan, and implementation schedule that details how USDA will manage, process, and disseminate all pesticide data being compiled under the Pesticide Data Program.

Reported Status: Action not yet initiated.

Current Status: AMS has completed actions on this recommendation. Completed March 1993:

AMS agrees with the need for a coordinated information strategy. AMS has been working with an outside contractor with expertise in this field to develop a 4 part document for a PDP information management system to include: (1) a mission analysis, (2) a concept development, (3) an implementation plan and (4) an automated data processing (ADP) plan for the system. The contractor has interviewed appropriate personnel from FDA, EPA and other USDA agencies in PDP to incorporate their requirements. This 4 part document has been completed and reviewed where applicable by the participating agencies.

It is AMS' primary responsibility to deliver an acceptable pesticide residue data information system, but will consult with

OIRM, as necessary, for advise and counsel to ensure the data management system is compatible with USDA requirements. Concurrent with this effort, a prototype data base system was developed by in-house experts, which allows residue data information to be entered and summarized. As designed, the system will accept data information profiles on collected samples, such as origin, product type, 7-day produce volume data, and post-harvest fungicide use data. This information is then matched with data reflecting the laboratory results.

This Oracle[®] data base system provides the foundation for PDP's data information storage, dissemination, and retrieval needs for the foreseeable future. The program is compatible with EPA's data base and has the capability of data reduction and collation requirements to present pesticide data summaries in formats consistent with USDA's and EPA's needs. This PDP data system is presently operational and has been instrumental in producing the January-June 1992 semiannual PDP report.

Furthermore, the system has the capability to accept remote data entry from the participating laboratories. To implement this concept uniform quality data guidelines and safeguards for information integrity and accuracy is in the process of being developed.

NASS has met the requisite requirements for an operational data base.

The implication from the GAO report is that the delay of a new NASS data base has hampered management of the data and slowed dissemination. This is not true. NASS' existing information management and dissemination system is known to be very efficient. Exact times and dates for release of survey results to data users are established 6 months to a year in advance. Results of pesticide surveys are published within 6 months of data collection.

U.S. DEPARTMENT OF AGRICULTURE: FOOD SAFETY- USDA DATA
PROGRAM NOT SUPPORTING CRITICAL PESTICIDE DECISIONS

Report Number: IMTEC-92-11
Release Date: January 31, 1992
Responding Agency: Office of Finance and Management
Contact: Larry Wilson
Director, OFM
(202) 720-8345

Background: Pursuant to congressional request, GAO reviewed the Department of Agriculture's (USDA) Coordinated Pesticide Data Program to determine whether: (1) the program produces the data needed for making improved pesticide regulatory decisions; and (2) USDA has an effective strategy for managing program data.

Recommendation 3: To help establish a better foundation for the success of USDA's Coordinated Pesticide Data Program, the Secretary of Agriculture, after completing the current data collection effort with the existing 6 states, 7 commodities, and 11 pesticides, should not proceed with further residue data collection activities until the Administrator, AMS, reaches agreement with EPA and FDA on how the Pesticide Data Program can most efficiently provide statistically reliable data, meet users' needs, and support interagency pesticide responsibilities:

Current Status: Action not yet initiated

Reported Status: Action completed. January 1993:

A statistically-valid sampling plan, which was one of the initial PDP goals was implemented in January 1993, based on proportionate to sampling site produce volume. This goal was accomplished with the statistical support of the National Agricultural Statistics Service. NASS also provides long-term maintenance and support for the sampling system.

A statistically-valid sampling was never a prerequisite for beginning program operations to collect useful and meaningful data. There are also other factors which must be considered for a valid risk assessment oriented system. These factors provide objective and random information such as:

number of samples being proportional to State size, no predetermination on product selection, random date selection of commodity sampling by State, and sampling criteria commensurate with quality data prerequisites needed for EPA's "Good Laboratory Practices" guidelines. In 1991 and 1992, PDP has provided some of the most comprehensive data ever obtained on pesticide residues in fresh fruit and vegetables. This approach has been acceptable to and has received the full support of EPA.

Another criterion needed for a statistically-valid sampling system is the capability of provided national inferences based on the States' sampled. To meet this objective 3 additional States, with the concurrence of NASS, were added to PDP, for a total of 9 States. These 9 States: California, Colorado, Florida, Michigan, New York, North Carolina, Ohio, Texas, and Washington, provide the required regional diversity as well as represent approximately half of the Nation's population.

Produce at distribution warehouses and terminal markets in some of the participating States, also represents direct produce availability for direct consumption in adjacent States. For example Alaska's produce is primarily routed through Washington, Nevada's and Hawaii's produce is transported through California, and New York is a direct supplier of produce for at least half of New Jersey's and one-fourth of New England's needs. This significantly adds to the population base.

PDP provides pesticide residue data to EPA that is useful and meaningful in their risk assessment process.

U.S. DEPARTMENT OF AGRICULTURE: FOOD SAFETY- USDA DATA
PROGRAM NOT SUPPORTING CRITICAL PESTICIDE DECISIONS

Report Number: IMTEC-92-11
Release Date: JANUARY 31, 1992
Responding Agency: Office of Finance and Management
Contact: Larry Wilson
Director, OFM
(202) 720-8345

Background: Pursuant to congressional request, GAO reviewed the Department of Agriculture's (USDA) Coordinated Pesticide Data Program to determine whether: (1) the program produces the data needed for making improved pesticide regulatory decision; and (2) USDA has an effective strategy for managing program data.

Recommendation 4: To help establish a better function for success of the USDA Coordinated Pesticide Data Program, the Secretary of Agriculture, after completing the current data collection effort with the present 6 states, seven commodities, and 11 pesticides should not proceed with further residue collection activities until the Administrator, AMS documents those agreements with EPA and FDA.

Current Status: Action not yet initiated.

Reported Status: Completed June 1992:

Since the completion of formal agreements with EPA and FDA finalized in June 1992, but agreed to earlier in 1992, it was not necessary to restrict the PDP within the confines of program operation as existed at the end of fiscal year 1991. Therefore, for program stability and to meet the data requirements of EPA, the plan for a complete operational program was initiated once the fundamentals of interagency cooperation were formalized and implemented, as requested in the GAO recommendation. AMS requests that EPA review and acknowledge PDP program plans in writing regarding any changes in PDP commodities and pesticide testing requirements.

Early in the program, AMS began documenting meetings and procedural arrangements with minutes of meetings, including comments from

the participants. AMS is also responsive to FDA's needs and established reporting procedures for violative sample information which may impact FDA's enforcement decisions. The MOU with EPA and FDA clearly defines these roles and establishes an Executive Steering Committee, which met on November 13, 1992, to provide direction for future program activities.

Mr. SKEEN. How does the information gathered by the Pesticide Data Program differ from the pesticide residue data generated by the Food and Drug Administration and by any state residue programs?

Ms. MASSARO. There are substantial differences between the FDA's and State enforcement programs and the USDA pesticide data program. The samples, quality data requirements, need for determination of all residues present, and adherence to the EPA's "Good Laboratory Practices Guidelines" makes them markedly different. I will highlight the attributes of the PDP for the record.

[The information follows:]

The PDP is not designed as an enforcement program. The program analyzes and generates data by using high data quality standards and a thorough documentation of all residue findings, not just violations or the pesticides of highest concentration. Because the program is developing statistically reliable data, the PDP provides a more in-depth picture of residue profiles in commodities. The PDP's data base shows a higher profile of residues detected than does the FDA, State or other data bases, because the PDP thoroughly searches for all residues of interest.

The PDP provides a national data base to ensure that various sources of commodities are proportionately represented according to their availability in commerce. The program does not emphasize findings in one State over another, since they test different numbers of samples and their product sources may also be different.

In enforcement programs, sampling and testing are done with the knowledge of where problems are. Therefore, over-representation of previous violators could occur, or producers with no previous violations could be under-represented. The PDP tests equal numbers of samples per commodity, over all growing seasons, with sampling proportional to the population in the participating States and the size of the distribution centers. Also imported products are represented according to their availability, which will be different for each commodity. For example, if apples come from selected States and only certain foreign countries, then the samples taken over two years will accurately represent the market and will not be biased toward selected procedures.

The PDP tests only the edible part of the commodity. All produce is rinsed prior to analysis. This important departure from enforcement programs was requested by the EPA and the FDA. Since many pesticides found are systemic, are not water soluble, or migrate into the food rather than remaining on the surface, pesticides could remain in the commodity after rinsing.

The PDP implements testing methodology for single pesticides. Information of such pesticides have previously been lacking in data bases. Single pesticide methods require up to 35 percent or more of the program's resources. Some of the methods already implemented are for benomyl and acid herbicides, such as 2,4-D. Information profiles on benomyl was already requested by the EPA. Other pesticide data profiles requested by the EPA included captan and chlorothalonil. Other methods being considered for implementation later in 1993 are avermectin and formetanate. In 1994, testing is being considered for thiophante-methyl, oxadixyl, ethopphon, and thiodicarb. This is the type of information what would enhance the EPA's risk assessment process.

INTERNATIONAL TRADE AGREEMENTS

Mr. SKEEN. How closely are you working on trade.

With all the trade agreements that are coming up, the GATT, the North American Free Trade Agreement, some of the others, how closely involved are you folks in those discussions?

Dr. CLAYTON. Mr. Skeen, we have been quite extensively involved. We have been involved particularly as it might relate to programs that we have responsibility for, like grading and the development of standards.

Mr. SKEEN. Does this include GATT, as well as NAFTA?

Dr. CLAYTON. Yes sir, it includes GATT, as well as NAFTA. We have been part of interagency efforts in developing positions and so forth for both of those negotiations.

I personally had some early involvement with portions of the NAFTA while it was being negotiated, as it related to our agency. Generally, we try to be as supportive as we can, particularly of the Foreign Agricultural Service, just by virtue of many of our programs.

We have extensive contact with various industries around this country, and have access to data through our market news program, for example. We stay in regular contact with Foreign Agricultural Service and try to be of as much assistance to them as we can.

Mr. SKEEN. Does your agency take a rather protective attitude about domestic production in the United States insofar as the international agreements are concerned?

Dr. CLAYTON. I like to think we take a constructive attitude.

Mr. SKEEN. You follow it all the way through to processing?

Dr. CLAYTON. We do try to bring a perspective that runs from the producer all the way to the consumer. Obviously, our interest relates specifically to the programs that we administer and how any changes in international agreements might affect our programs, and consequently, might affect those whom our programs serve.

Mr. SKEEN. Domestic producers.

Dr. CLAYTON. We certainly contribute information of that nature to the folks who are actually conducting the negotiations.

Mr. SKEEN. I think as a result of the Canadian agreement, we have learned a lot of lessons, but the primary producers were working at a disadvantage compared to the processors, domestic processors. There was that feeling anyway amongst primary producers.

INTERNATIONAL TRANSPORTATION

Let's talk about the transportation-related studies that you are undertaking now. We have a very inefficient system going on at the Mexican border, and have you done any studies in this particular area at the U.S./Mexico border crossings?

Dr. CLAYTON. Yes, there have been studies.

Mr. SKEEN. That is of particular interest to us.

Dr. CLAYTON. I understand that it is a very critical topic. I might add, in reference to your previous question, that our transportation folks worked directly with the negotiators who were handling that portion of the NAFTA.

I think the Department of Transportation had the lead, but we were there representing agricultural concerns and interests.

Of course, as part of the NAFTA there will be changes in terms of access to interior Mexico for freight originating in this country; there will be changes in investment allowed in Mexico by persons from the United States; and we continue to look at some technical issues relating to movement of rail cars across the border and those kinds of things.

Mr. SKEEN. The maquiladora system has evolved, as you are well aware, in the border areas, and it is done very well. Except now the transportation is the worst problem because they have two and

three hour delays to get across the border. And so I was interested in how your studies reflect some remedy to that kind of a situation.

BUY AMERICAN

Let's talk about "buy American". Last year the Inspector General, was investigating your agency for supposed violation of the domestic origin requirements. What has happened in that situation?

Dr. CLAYTON. Well, I believe we have resolved all of that. There were a couple of issues that were raised. One had to do with meat and whether or not foreign-sourced meat might have gotten into our purchase program. I think the outcome of that particular investigation was that it was not clear whether it had happened.

Mr. SKEEN. It was a bum rap?

Dr. CLAYTON. Well, the data would not necessarily support an answer one way or the other.

Mr. SKEEN. I see.

Dr. CLAYTON. More importantly, I would hope, that it did refocus our efforts to ensure that there were improvements in recordkeeping which will enable us to ensure there are no problems.

Mr. SKEEN. Has the investigation been finalized?

Dr. CLAYTON. Yes, it has.

Mr. SKEEN. It has? And you have responded to it?

Dr. CLAYTON. Yes, sir.

ORGANIC STANDARDS

Mr. SKEEN. Let's talk about organic products standards. That is a whole new area of production concern, and it is for producers in the United States as well, because the organic fervor has taken hold and so forth, so if you have an inferior product over there with blemishes and so forth, you can always advertise that as organically produced and get rid of it.

What are you doing on the standards in that area?

Ms. MASSARO. Right now we have a National Organic Standards Board. They have met several times and have named six subcommittees that are working on developing organic standards.

Mr. SKEEN. Six subcommittees within your department?

Ms. MASSARO. Six subcommittees within the organic advisory board.

Mr. SKEEN. Six subcommittees within the board.

Ms. MASSARO. The board has set up six subcommittees to work on the organic standards, and we have someone working closely with that board.

Dr. CLAYTON. As you may recall, Mr. Skeen, as that program was designed by the Congress, the legislation authorized, perhaps required the Secretary to establish a board to provide the Secretary with its recommendations on what kinds of standards ought to be put in place.

As Ms. Massaro says, that board has been meeting. We have not had the level of resources available to support their activities as some of those involved would have preferred. That issue notwithstanding, I think, very notable progress is being made. The group itself has organized very nicely.

We were unable to meet as often as the board would like, but we have made a lot of conference calls and a lot of faxing and mailing of papers, and, the work is coming along reasonably well.

Mr. SKEEN. You have not initiated any enforcement activities?

Dr. CLAYTON. We don't have a program to enforce yet. We have to put the standards in place and then we have something to enforce.

Mr. SKEEN. I wanted to gauge where you were in the development.

Thank you for your responses.

Thank you, Mr. Chairman.

Mr. DURBIN. Thank you.

Mr. Peterson?

Mr. PETERSON. Thank you, Mr. Chairman. This is a pretty slick document here. Is this in-house or did you have this done for you like they do on the TV commercial?

Mr. ROEDER. We did that in-house.

Mr. PETERSON. Does every agency in USDA have the capability to do this in Ag?

Mr. ROEDER. I don't believe all the agencies have that capability.

OVERLAP OF USDA ACTIVITIES

Mr. PETERSON. This is a question, I guess, for Steve. I absolutely am surprised more and more about the overlap of effort in USDA. Has any attempt been made to do a matrix of everything that USDA does versus who does it?

Mr. DEWHURST. Yes, sir, there have been a number of attempts over many years. When I first came to the Department in the 1960s, we were trying to do something called "mission budgeting", and we created matrixes where we would put what people perceived to be the mission of the Department across a sheet of paper, and all the different agencies down the side and try to match agencies up with missions to see how many agencies had programs that contributed to an individual mission.

The problem with that, of course, is it becomes very controversial as to what people think the missions are. And we spent a lot of time, and political people did a lot of arguing about what the missions were.

But there is no doubt in my mind that the 42 agencies of the Department, we have 250 programs, and many of them have multiple missions.

But if you want to find out how many agencies and programs serve a particular constituency or deal with them in a particular way, you will find most times it is more than one USDA agency or program has some responsibility.

Mr. PETERSON. It is really rather scary to me, so I concur with the President's mandate to streamline for a consolidation of some of these things.

EXPORT CERTIFICATION

For instance, you are going through the grading and certification of exports. I know somebody else was before us and was adamant about how they did all this, and it was a wonderful marketing tool

because the buyer overseas accepted that certificate. Is it a different certificate than the one you give?

Ms. MASSARO. That depends on the particular product. For instance, we certify importers of egg products into the United States, but we would not certify other products. Sometimes, people tend to confuse the grading function, which is a determination of the quality of the product, with the inspection function, which determines the safety and the wholesomeness of the product.

For instance, FSIS has responsibility for the safety and wholesomeness of meat and poultry, and we have the grading function to determine the quality.

Dr. CLAYTON. If I could add to that, Mr. Peterson. I think perhaps you were reflecting back on the presentation made by our Federal Grain Inspection Service. I would point out that Federal Grain Inspection handles only grain, and AMS grades the remaining commodities.

The activities are similar in terms of function served, but in the case of grain, it is actually somewhat different because Congress has mandated that all grain exported must be officially graded under the U.S. Grain Standards Act.

There are only one or two cases in our programs where there is some kind of mandatory export certification. I think the point remains that export certification sometimes helps to sell products overseas and your question is a fair one. Maybe one agency could do that. In this particular case, there is a division of labor. One can debate whether it is reasonable to split responsibility between agencies, but there is no overlap in terms of the product to be graded.

Mr. PETERSON. But it seems like you could put the people in the same room and essentially do the same job. It just occurs to me that there are opportunities for consolidation.

PRODUCT SELECTION

How then are products selected to be in your program either for your wholesale market development or the PDP process? You don't have great number of crops there. I am interested, as an example, why peanuts would not be included in your PDP program for residue and that sort of thing. How do you select these groups of products?

Ms. MASSARO. For the Wholesale Market Development Program, projects are proposed by growers, trade groups, companies, and State and local governments. We evaluate the proposals that came in and decide which ones will provide the most useful results. Whether the State or party was organized and ready to work with us would also be a determining factor in the decision.

As for the Pesticide Data Program, we selected the States, and the products were selected based on EPA's suggestions. For the States, we were trying to cover a lot of the Nation's population. We were looking for regional diversity.

Craig, maybe you can add to that.

Dr. REED. The commodities we selected to look at under the Pesticide Data Program were taken from two different lists. One list

was the top 30 fruits and vegetables consumed in the United States. We matched that list against EPA's information priorities.

Most of the peanuts consumed are roasted or boiled, and fresh peanuts generally go into processed products. We started looking at just fresh products.

SEPARATION OF FUNCTIONS

Dr. CLAYTON. I would like to add to that, Mr. Peterson. Perhaps the one thing that would be important here is to keep functions or activities separate. I recognize that one could view activities in the context of given commodities, but I think you also have to step back and look at the functions of programs. Our Wholesale Market Development program, for example, is intended to help States and localities develop farmers markets and wholesale markets and those kinds of things, and does not have a commodity orientation.

Clearly, the Pesticide Data program does include commodities, but we have talked with the chairman this morning as to what we believe the intent of that program is. I think one could go right down the list and separate between functions.

As I say, we talked earlier about our grading program, which has a quality determination function. As it happens, within the Department, grain inspection or grading is in a different agency, but AMS handles all the rest of the grading function. Part of the reason for that is historical. In the case of grain, for example, in the mid 1970's the Congress became concerned about export grain quality. It was a major issue, and there was authorizing legislation passed that included mandatory export certification.

While I am not aware of the specific history, I would guess that somewhere between the Department and the Congress, it was deemed that a separate agency with a focus on grain was the best way to attack that concern and to provide for that function.

So, as I say, I think it is critical to keep the functions separate, but you are right, there are ways of mixing and matching.

Mr. PETERSON. What you are saying is Congress has erred essentially, in that we have put mandates on you to force you to split this up.

Dr. CLAYTON. No, I am saying there are conditions that help to get things organized, I am not judging whether it is good or bad.

EMERGING DEMOCRACIES

Mr. PETERSON. Your Emerging Democracies program, what is the extent of that program and is it a two-way street? We are trying to make markets; that is your job. Are you also making markets for their products back here?

Dr. CLAYTON. Right now, I think our focus is principally on technical assistance, be it in Bulgaria, Czechoslovakia, Poland or countries of the former Soviet Union. We are helping them to get some of the basic marketing infrastructure in place which they do not have.

It is interesting as we talk about functions, that inevitably the first issue that any of those countries raise to us when they come here or we go there is how do we gather and distribute information so that our farmers can make decisions in terms of what to

produce, what to market, and where to market. Then once you enter into that discussion, it suddenly dawns on them that an apple is not an apple is not an apple.

Somehow one has to be able to sort these things out, because they know qualities are different, which immediately gets into a discussion of quality standards. It is interesting that in every single country we have dealt with, those are the first two issues that come up.

Now, at this stage, we have been trying to help them sort through how they might do some of those things. We have also worked with them in terms of how they might design wholesale marketing facilities.

For example, it is very interesting in the case of Russia and Moscow. The city of Moscow, as you may know, is ringed with 24 distribution centers. Those distribution centers, because of difficulties in the past in bringing food to Moscow, actually were storage centers. If they could get potatoes from the countryside, they brought them in and put them in those distribution centers so they could lock them up and decide when they were going to distribute them.

From a marketing standpoint, that doesn't make a lot of sense. Those distribution centers closest to the center of population should be truly distribution centers. They should be thinking about adding value by bagging, sorting, and cleaning and so forth.

We have spent a fair bit of time trying to help them come to grips with these ideas and sort the issues out. We have had teams who have been over in those countries trying to provide some of the technical assistance they need. Clearly, there is a vested interest in that for us.

First, if we can stabilize those countries and the democracies take hold, I think the world clearly is a better place. Secondly, if they can get the marketing infrastructure in place, trading opportunities will follow.

I think to the extent that we can have them approach marketing at least somewhat as we do, it is going to be much easier for our industry to work with people who are dealing with marketing questions like we would here.

To answer your question, I think it is a two-way street. I think our efforts are helping them, and I think it is for good cause. They are starting with a clean slate, as it were. Clearly, the intent is that we would have a payback at some point.

Mr. PETERSON. Well, I applaud your efforts. In fact, that is the best answer I have had since we have had these hearings on the value of getting there and helping them market.

I have been over there a number of times and it is appalling to see how inept they are. They don't know what to do with the product, they don't know how much to charge for it and they don't know, frankly, how to get it there. So those efforts are hopefully very rewarding.

And I think, too, at some juncture, we will have opportunity to bring their product, a clean value and wholesome product, back here maybe as a barter or something else.

COMMODITY PURCHASES

One last question. In your commodity purchases, what are the trigger mechanisms that you use to either get in or out of the market or do your processes there? What is the value that you are plugging into that?

Ms. MASSARO. Well, we provide for surplus commodity removal. We do analyses using information we collect for our market news reports and information we obtain from NASS. If we see a product is in excess, then we would propose it for surplus removal. We would go to the Secretary and ask for his approval.

Also, sometimes we hear from Congressmen who point out areas where there is a surplus.

Mr. PETERSON. How long does it take to make this decision to make a purchase?

Ms. MASSARO. The decision is fairly quick.

ENTITLEMENT PURCHASES

Dr. CLAYTON. Maybe I can elaborate. We make two kinds of purchases. One category is called entitlement purchases. Those are keyed to the school lunch program and the formula under the School Lunch Act, which determines how much in the way of Federal support ought to go back to local school districts to provide some subsidies to the lunch.

I liken our purchase program for the entitlement commodities to kind of a negotiating shopping experience. We run a grocery store and we have quite a bit to say about what goes on the shelves, but the schools go shopping. They get to express their preferences as to what kinds of commodities they best can use for the children that they are serving lunch to.

What we put on the shelves, as Ms. Massaro says, is guided by our reading of what is going on in the markets, and we stock the shelves most heavily with those things of which there is an economic surplus. There is a need to fulfill that mission of providing relief to particular agricultural industries.

That is one category of purchase.

CONTINGENCY PURCHASES

The second category is what we call contingency purchases. That is an emergency fund. Basically, that is done on an as-needed basis. If a particular situation were to arise with one of our industries, we can seek authority to make a special purchase to remove product from the marketplace.

The contingency purchase process typically can take anywhere from two to four weeks, from when we are notified by industry or by someone that a surplus situation exists.

The entitlement buys are ongoing. We have an annual plan which we are formulating for the upcoming school year, beginning next fall. We will then modify that plan almost day by day, depending on what schools want and need and what we can get for them. That process is essentially one which continues during the school year.

SUNFLOWER OIL PURCHASES

Mr. PETERSON. One last thing. In my mind there is some disconnection with emergency and sunflower oil purchases. How do you plug in—what is the relationship there?

Dr. CLAYTON. There are two or three provisions, actually, which exist under the Section 32 legislation. One of the principal missions under Section 32 is to provide relief in those cases where there is economic surplus. Section 32 also provides assistance to exports.

That authority has been used sparingly, but the Congress has identified a couple of cases where we should provide assistance to some exports. Those two are cottonseed and sunflower oils.

Mr. PETERSON. All right. Thank you for your answers and thank you, Mr. Chairman.

Mr. SKEEN. Mr. Chairman?

Mr. DURBIN. Yes, Mr. Skeen.

Mr. SKEEN. One quick question I forgot to ask, and I apologize for taking your time.

PECAN PROGRAM

Did they ever establish the pecan marketing orders in the program?

Dr. CLAYTON. Yes, sir.

Mr. SKEEN. How is that operating?

Dr. CLAYTON. It is up and running. They have begun to gather the assessments.

Mr. SKEEN. This is the first year?

Dr. CLAYTON. Yes. They have selected a new CEO to run that operation and she has begun or will begin her job imminently.

Mr. SKEEN. So it is up and running?

Dr. CLAYTON. Yes, sir.

Mr. SKEEN. Thank you very much.

Thank you, Mr. Chairman.

Mr. DURBIN. Thank you, Mr. Skeen. And thank you, Ms. Masaro, and I thank the panel for the fine presentation. We will be working on your appropriations and will get back to you.

[Information submitted for the record follows:]

AGRICULTURAL MARKETING SERVICE

Statement of
Linda P. Massaro, Acting Administrator
before the
House Subcommittee on
Agriculture, Rural Development,
Food and Drug Administration, and Related Agencies

Mr. Chairman and Members of the Committee, I appreciate this opportunity to brief you on the activities of the Agricultural Marketing Service (AMS). With me today is Joseph A. Roeder, Director of our Financial Management Division.

MISSION

The Agricultural Marketing Service has a long history of service to Agriculture. Our programs focus on improving the efficiency of marketing of farm products from the producer to the consumer. This has been our goal since 1913 when the first marketing agency, the "Office of Markets," was established.

Today, AMS activities include:

- * providing unbiased and timely information on commodity prices and supply;
- * developing standards of quality for agricultural products;
- * offering commodity quality grading and certification;
- * administering programs aimed at finding alternative crops or uses, and improved markets and transportation methods for commodities;

- * overseeing industry-run programs which promote the use of, and support increased producer return on, agricultural commodities;
- * enforcing fair trading regulations for buyers and sellers of perishable commodities and buyers of seed;
- * protecting the rights of developers of new plant varieties;
- * inspecting egg products to ensure they are wholesome; and
- * gathering data to expand the information base on what agricultural chemicals are present in randomly sampled fruits and vegetables at selected wholesale levels.

These activities are authorized under some 50 statutes.

FISCAL YEAR 1993 FUNDING

AMS receives funding for its activities from several different sources. The Agency's appropriated budget for fiscal year 1993 is \$74 million. This amount includes \$56 million for the Marketing Services Account, and \$1 million for Payments to States--a matching grant program. Nearly \$17 million is appropriated from Section 32 funds for Administrative Expenses of Marketing Agreements and Orders and commodity purchases. Section 32 Commodity Purchase funds are derived from a permanent appropriation of customs receipts. Our fiscal year 1993 budget for commodity purchases is \$450 million. AMS user-funded programs earn \$162 million. All of our funding, including both appropriations and user financed activities, totals \$690 million in fiscal year 1993.

AMS SIZE AND LOCATION

AMS is organized along commodity lines. This design enables us to address the specific requirements of each agricultural industry we serve. For example, our livestock and seed division encompasses livestock and grain market news; meat and livestock standards and grading; the Federal Seed program; seed testing services; commodity purchase services for meat; and oversight of beef, pork, and soybean research and promotion programs. Similarly, our poultry division incorporates egg product inspection; market news, standards, grading, and commodity purchase service activities for poultry products and eggs; and oversight of the egg research and promotion program. Our other divisions have comparable program assignments.

We employ 5,600 full and part-time Federal personnel and supervise an additional 6,000 State employees performing program activities under 311 cooperative agreements with all 50 states. In many cases, we are located in State office space and share administrative costs. Such Federal/State cooperation reduces Federal employment and costs. Our field offices are strategically located near grading, inspection, and market sites so that we can minimize the cost of providing services at plant or market locations. We have consistently made efforts to minimize our field office structure and we have unilaterally reduced the number of our offices by 147, or 40 percent, over the last ten years.

MARKETING PROGRAMS

Now I would like to focus on AMS programs in greater detail, beginning with our marketing programs. These programs are 69 percent user-funded and 31 percent appropriated. I will describe our appropriated programs first, starting with Market News.

MARKET NEWS

This program provides equal access to trading information on agricultural products to all buyers and sellers in the marketplace. They have a critical need for timely, accurate, and unbiased information on price, supply, inventories, and other market data. AMS market reports provide the time-sensitive information needed for decisions on where and when to sell or buy, and at what price. By providing today's market information, AMS reports improve the efficiency of marketing and help provide consumers with a reliable and reasonably priced food supply.

We work jointly with State programs to gather, analyze, and compile regional and national reports. Market news reporters interview 31,000 buyers and sellers to cover almost 2,000 markets. The more than 800 commodities on which we report include cotton and cottonseed, dairy products, fruits, vegetables, livestock, meat, grains, poultry, eggs, and tobacco.

EGG PRODUCTS INSPECTION

Our Egg Products Inspection program protects the health and welfare of consumers by providing legislatively mandated inspection of egg breaking and processing plants. Program personnel continuously inspect 81 egg processing plants

throughout the U.S. with a combined volume of 2.3 billion pounds. In cooperation with State Departments of Agriculture, we also inspect shell egg grading and packing plants at least quarterly and we approve foreign inspection systems for egg product imports into the U.S.

We inspect egg products using sensory examination and laboratory analyses such as food chemistry, microbiology and chemical residue tests. AMS works with the Animal and Plant Health Inspection Service and the Food and Drug Administration to reduce the risk of *Salmonella enteritidis*. We ensure that eggs from infected flocks are processed into egg products and pasteurized to destroy *Salmonella* organisms.

Along with cooperating State inspectors, we make approximately 7,000 shell egg surveillance visits each year. These unscheduled inspections allow us to verify that packers and distributors are properly disposing of restricted eggs. Restricted eggs are cracked, dirty, incubator rejects, inedible, leaking, or eggs otherwise unfit for human consumption. As for imported egg products, Canada and the Netherlands are currently the only countries with USDA-approved inspection systems and therefore eligible to export to the U.S.

COMMODITY STANDARDS

AMS standards aid in the marketing of agricultural commodities by providing a commonly accepted language to describe the quality and condition of products. We develop and maintain nearly 600 standards for 236 commodities. We develop a standard to describe

any agricultural product once we determine that the standard will be useful to, or is requested by, those who buy and sell that commodity.

Standards provide a means of measuring and communicating value so that buyers and sellers can freely and knowledgeably establish prices. AMS uses commodity standards in grading services, market news reports, and Federal commodity purchases.

FEDERAL SEED ACT

AMS protects the agricultural seed user by enforcing the Federal Seed Act. The Act prohibits interstate transportation of unlabeled or mislabeled seed. We verify alleged violations of the Federal Seed Act upon referral by State officials. This year, we expect to complete 650 case investigations. Emphasis is placed on factors which are critical to the seed user such as variety, purity, germination, and noxious weed content. Although it is difficult to quantify, the potential loss from mislabeled and defective seeds is very large. U.S. farmers spend an estimated \$4 billion annually for seeds. The loss from planting defective seeds can be many times the value of the seed.

PESTICIDE DATA PROGRAM

With the assistance of California, Colorado, Florida, Michigan, North Carolina, New York, Ohio, Texas, and Washington, we operate the Pesticide Data program to determine actual pesticide residue levels on a range of fruit and vegetables. AMS provides technical direction, funding, and administrative support to participating State agencies. Our objective is to create a data

base of pesticide residue levels in food by randomly sampling fresh fruits and vegetables at marketing points as close to the consumer as practical. Samples are randomly collected and tested by the States, the data is assembled by AMS and it is then provided to the Environmental Protection Agency for consideration in risk assessment and establishing residue tolerance levels. This year we expect the program to collect 8,650 samples on 350 commodity/pesticide pairs. Any samples collected which violate current tolerances are reported to the Food and Drug Administration for their action.

PESTICIDE RECORDKEEPING

The Food, Agriculture, Conservation and Trade Act of 1990 requires that we implement and oversee a pesticide recordkeeping program at the Federal level. The objective of the program is to ensure that records are maintained by certified private applicators of Federally restricted-use pesticides. We have developed the program in cooperation with the Environmental Protection Agency. The National Agricultural Statistics Service surveys these records to provide an information base on usage. AMS will work with State programs to monitor compliance.

ORGANIC CERTIFICATION PROGRAM

We are cooperating with the National Organic Standards Board to develop an Organic Certification program. The Organic Foods Production Act of 1990 requires implementation of a program to establish national minimum standards for production and handling of organic agricultural products. The National Organic Standards Board was created to develop a national list of approved and

prohibited substances to be used in organic production and to provide recommendations to the Secretary. The Board created six committees which are developing recommendations on implementing the program. Once the program is developed, State agencies or private persons will be Federally accredited to assure that participating producers and handlers are complying with organic standards.

WHOLESALE MARKET DEVELOPMENT

Our Wholesale Market Development program provides technical advice and assistance to cities and States interested in improving current wholesale market facilities or creating new ones. State and local governments and the agriculture industry recognize AMS as an authority in planning wholesale food market facilities. We also undertake specialized research to improve the agricultural marketing system and help control marketing costs. Our cooperative studies with government agencies and the private sector evaluate the handling and marketing of agricultural commodities and suggest improvements.

The cost savings accruing to both consumers and localities from wholesale market improvements can be significant. For example, new facilities planned for Chicago will provide room for expansion, improve shipping routes, increase operating efficiency by at least 40 percent over present facilities, and keep 2,000 jobs in the city. We also provide technical assistance and guidance that would otherwise be unavailable to farmers markets which are a vital alternative for smaller growers. Recent projects in Toledo, Ohio; Springfield, Missouri; Columbia, South

Carolina; Montgomery, Alabama; Jackson, Mississippi; and Atlanta, Georgia are expected to generate income opportunities totalling nearly \$18 million per year. Collection/assembly markets serve small to medium-sized growers. Projects in Benton Harbor, Michigan and Thomasville, Georgia are expected to offer additional income opportunities of \$21 million over 5 years. Finally, urban retail centers being studied in Columbus, Ohio and Asheville, North Carolina could save consumers \$5 million annually. Such centers would bring fresh fruits and vegetables produced by small and medium-sized growers to inner-city consumers.

TRANSPORTATION SERVICES

Through our Transportation Services program, AMS represents the interests of the agriculture industry and rural communities. To ensure that an adequate and economical transportation system is available, we conduct technical research and economic studies of domestic and international transportation systems. In addition, we provide information and technical assistance on agricultural transportation to producers, shippers and carriers, rural communities, and other government agencies. One AMS study produced recommendations to reduce the estimated \$30 million in annual losses of dry goods in warehouse storage. Another study concentrated on reduction of vibration damage in transit and distribution which was estimated at 6 percent or more of product value for delicate fruits. We have also worked to reduce in-transit losses on export shipments of livestock, estimated at \$23 million per year and live fish, estimated at \$28 million a year. Our studies on rail line abandonment and technical assistance to

shippers in Kansas produced cost savings of over \$2 million annually. AMS also produces workshops and handbooks for agricultural exporters. Over the last six years, 35,000 handbooks on the transportation and handling of perishables have been distributed to the public.

INTERNATIONAL MARKET DEVELOPMENT

In addition to our on-going activities, we are also supporting the Department's emerging democracies initiatives by assisting Eastern European and former Soviet republics to establish wholesale market facilities and agricultural market information systems.

FEDERAL-STATE MARKETING IMPROVEMENT PROGRAM

Our Federal-State Marketing Improvement Program, or FSMIP, provides matching grants for state and local agricultural marketing improvement projects. Projects are proposed by State agencies and include innovative marketing techniques, ways to improve export marketing, testing study findings in the marketplace, and developing State expertise in agricultural marketing. We provided matching funds for 30 projects in 25 states last year. The goal of the FSMIP program is to reduce the cost of marketing for both producers and consumers. For example, a project with the Federation of Southern Cooperatives to help organize direct marketing efforts to inner city markets increased producer sales in Mississippi and Georgia by more than \$1 million the first year. A potential \$25 million market for fruits, vegetables, and alternative crops was identified and developed in Iowa. Other projects include testing of a portable hydrocooler

that can handle 2,000 pounds of produce, development of an electronic bulletin board in Montana, and an Alternative Enterprises Information Center in Missouri.

MARKETING AGREEMENTS AND ORDERS

We are responsible for oversight of activities conducted under more than 80 milk, fruit, and vegetable marketing orders. While Federal oversight activities for these programs are financed from appropriations, the bulk of marketing order operational costs are financed by producers. Industry assessments collected to fund marketing order activities total \$37 million for milk and \$31 million for fruits and vegetables. The total value of products subject to marketing orders is \$13 billion for milk and nearly \$6 billion for fruit and vegetables.

Milk marketing orders assist farmers in developing steady, dependable markets and help correct conditions that result in price instability and disorderly marketing. Milk orders include provisions for determining minimum prices handlers are required to pay producers, verifying weights and tests of milk shipped by producers, and auditing handler reports to verify milk usage and to assure payments to producers.

Fruit and vegetable marketing order programs include provisions for research and development projects, container and pack requirements, minimum standards for quality and maturity, and programs to assist in the maintenance of a stable flow of commodities to avoid unreasonable fluctuations in supplies and prices.

USER FUNDED MARKETING PROGRAMS

The remainder of our marketing programs are user funded. As I mentioned, this group of activities constitutes 69 percent of AMS' marketing programs and consists of several types of services.

GRADING SERVICES

AMS grading programs for cotton, dairy products, fruits and vegetables, livestock and meat, poultry and eggs, and tobacco facilitate commerce by inspecting, identifying, and impartially certifying the quality of the products in accordance with official standards or contract specifications. We also offer inspection of processing facilities for agricultural products, and an acceptance service to certify that large volume purchases made by schools, hospitals, and government agencies, such as the Department of Defense, meet contract specifications.

Grading services furnish an objective representation of the quality of the commodity. These services thus provide a quality control tool and a means for those who buy and sell the commodities to determine the commercial value of a shipment--which is a critical factor for agreeing on prices, to obtain loans, or to settle claims. We offer grading services on a voluntary, fee-for-service basis. In 1992, we graded: 17 million bales of cotton; 16 billion pounds of poultry products; 1 billion dozen eggs; 18 billion pounds of meat; 92 billion pounds of fresh and processed fruit, vegetables, and nuts; 2 billion pounds of dairy products, and 2 billion pounds of tobacco. We estimate the farm value of the products graded at \$50 billion.

PERISHABLE AGRICULTURAL COMMODITIES ACT

The Perishable Agricultural Commodities Act, or PACA, protects producers, shippers, distributors, retailers and consumers of fresh and frozen fruits and vegetables from unfair marketing practices. The Act prohibits the misbranding or misrepresentation of fruits and vegetables, and penalizes violators.

We enforce the provisions of the Act to promote a fair and efficient market. This year, we expect to arbitrate 50,000 reparation disputes, file 1,000 disciplinary and misbranding actions, and conduct 3,000 personal investigations. Under the statutory trust provisions of the Act, we provide a forum for resolving reparation complaints dealing with contract disputes. We expect 140,000 statutory trust notices to be filed this year, resulting in refunds to sellers of \$750 million. Annual license fees finance PACA activities. All dealers in the produce industry operating under the Act must be licensed. Approximately 15,000 PACA licenses are in effect.

PLANT VARIETY PROTECTION

The Plant Variety Protection program encourages the development of novel varieties of sexually-reproduced plants and makes them available to the public. We accomplish this objective by providing legal "patent-like" protection for breeders, developers, or discoverers of new varieties. We expect to issue 325 certificates this year. At the end of fiscal year 1992, nearly 3,000 certificates were in force. Program activities are

funded from fees charged for verification of applications and issuance of certificates of protection.

NATIONAL LABORATORY ACCREDITATION PROGRAM

The objective of our national laboratory accreditation program is to provide accreditation for private and commercial laboratories that conduct pesticide residue tests on agricultural products intended for human consumption. The program is currently in the developmental stage. The Food and Drug Administration is promulgating regulations that will set the standards for the program.

Once the program is initiated, buyers and the public can be assured that accredited pesticide residue testing laboratories meet national standards for proficiency and acceptable methodology, and that any claims based on analyses from these laboratories are accurate. The program will be fee-supported when operational.

COMMODITY PURCHASE PROGRAM

Our next area of focus is commodity purchases. Commodity purchase activities constitute the largest segment of AMS-controlled funding. We purchase non-price supported commodities such as meat, poultry and eggs, fruits and vegetables, and fish to remove commodities from the market and to supply domestic feeding programs. Section 32 funds are also used to purchase commodities for disaster feeding and to assist sunflower and cottonseed oil exporters. In total, AMS will purchase

commodities valued at approximately \$450 million. Funding for these commodity purchases is derived from U.S. customs receipts.

In addition, we act as contracting agent for the Food and Nutrition Service. Combining food purchase activities improves government efficiency. We will purchase commodities valued at \$377 million for FNS feeding programs this year. The commodities acquired are furnished to meet the needs of the School Lunch and other domestic feeding programs.

In support of our commodity purchasing effort, AMS annually solicits and receives more than 2,000 bids and awards over 1,000 contracts to purchase commodities in excess of 700 million pounds. AMS administrative costs constitute 1 percent of program funds.

RESEARCH AND PROMOTION PROGRAMS

Our final area of focus is research and promotion programs. We oversee the activities of these industry-developed and industry-funded programs. Each research and promotion program is separately authorized under Federal legislation. Our oversight costs are reimbursed by the industry boards responsible for operating the programs. The boards collect assessments from producers and handlers to carry out self-help programs designed to strengthen demand and improve the quality of beef, cotton, dairy products, eggs, honey, pecans, pork, potatoes, soybeans, watermelons, and wool. A mushroom program will begin later this year. Research and promotion programs for limes and fluid milk have been authorized by legislation but are not yet established.

Assessments collected from the industry by research and promotion boards range from \$217 million for the promotion of dairy products to less than \$1 million for watermelon promotion.

CONCLUSION

In conclusion, Agricultural Marketing Service activities are important to American agriculture. Our mission is to facilitate the marketing and distribution of agricultural products, ensure fair trading practices, and assure consumers of a food supply that is abundant and of high quality.

We continually adapt our services to changing domestic and international marketing practices and technologies. In cooperation with other USDA agencies and agricultural industries, the agency promotes a strategic marketing perspective that adapts product and marketing decisions to consumer demands. AMS' wide range of programs make the private sector marketing system for food and agricultural products more efficient, dependable, economical and equitable.

This concludes my statement, Mr. Chairman. At this time, I would be pleased to answer any questions you might have relating to our program activities.

AGRICULTURAL MARKETING SERVICE

Purpose Statement

The Agricultural Marketing Service (AMS) was established by the Secretary of Agriculture on April 2, 1972. AMS carries out programs authorized by approximately 50 different statutory authorities, the primary ones being the Agricultural Marketing Act of 1946 (7 U.S.C. 1621-1627); the Agricultural Marketing Agreement Act of 1937 (7 U.S.C. 601-602, 608a-608e, 610, 612, 614, 624, 671-674); the U.S. Cotton Standards Act (7 U.S.C. 51-65); the Cotton Statistics and Estimates Act (7 U.S.C. 471-476); the Tobacco Inspection Act (7 U.S.C. 511-511q); the Perishable Agricultural Commodities Act (7 U.S.C. 499a-499s); the Egg Products Inspection Act (21 U.S.C. 1031-1056); Section 32 (15 U.S.C. 713c); Transportation Provisions of the Agricultural Adjustment Act of 1938 (7 USC 1281 et seq.); Agricultural Trade and Assistance Act of 1954 (7 USC 1427, 1431, 1691, et seq.); Rural Development Act of 1972 (7 USC 2662, 2663); International Carriage of Perishable Foodstuff Act of 1982 (7 USC 4401-4406); Capper-Volstead Act (7 USC 291, 292); Pesticide Recordkeeping (7 USC 135i-1); Plant Variety Protection Act (7 USC 2321 note.); numerous research and promotion acts.

The primary objective of AMS is to carry out a wide range of programs that facilitate the marketing and distribution of agricultural products; ensure fair trading practices; and assure consumers of an abundant, high quality food supply. AMS promotes a strategic marketing perspective that adapts product and marketing decisions to consumer demands, as well as changing domestic and international marketing practices and technologies. This is achieved through the collection and dissemination of market news information, the establishment of grading standards, the promotion of an efficient agricultural transportation system, inspection and grading services, and various marketing development programs. Approximately seventy percent of the funds needed to finance these activities are derived from user fees.

The Agricultural Marketing Service administers the following programs:

1. Market news service: The market news program entails the collection, analysis and dissemination of supply, inventories, prices and other market information for numerous agricultural commodities, including cotton and cottonseed; dairy products; fruits and vegetables; livestock, meat and grains; poultry products; and tobacco.

Market news provides timely, accurate, and unbiased information to assist producers, growers, and marketers of farm products in making critical decisions of where and when to sell, and at what price. The collection of market information is a joint effort by Federal and State reporters.

2. Inspection, grading and standardization services: AMS develops and maintains standards of quality and condition for use in the trading of agricultural commodities. These standards provide a common language for buyers and sellers of commodities both here and abroad. AMS provides grading and certification services upon request for numerous agricultural commodities, including cotton, dairy products, fruits and vegetables, livestock and meat, poultry and eggs, and tobacco. AMS also provides: continuous in-plant inspection to manufacturers of liquid, frozen, or dried egg products to ensure that egg products are wholesome, unadulterated, and fit for human consumption; inspects egg handlers and hatcheries quarterly to ensure the proper disposition of restricted eggs; and controls the importation of egg products to ensure that U.S. requirements are met.

The inspection and grading activities are performed by Federal and Federally-supervised State employees. The egg products inspection program is mandatory and is funded from appropriations, grading activities are provided on a fee-for-service basis.

The science program conducts laboratory tests on agricultural commodities to aid the commodity divisions in assigning grades to submitted samples. The program also assures that commercial and private laboratories are performing tests in a consistent, uniform, and accurate manner.

3. Market protection and promotion services: AMS administers programs under several laws which authorize the collection of pesticide residue information, ensure proper marketing practices, stimulate innovative and improved commodity marketing, and provide assistance to industry-sponsored activities. The Pesticide Data program provides statistically-based data on pesticide use and residue levels for selected commodities to public agencies for policy making, regulatory and educational purposes. The Pesticide Recordkeeping program establishes Federal regulations requiring non-commercial applicators to keep records of pesticides used in agricultural production. The Federal Seed Act requires truthful labeling of seeds shipped in interstate commerce to prevent misrepresentation. The Plant Variety Protection Act encourages the development of novel varieties of sexually reproduced plants by providing patent-like protection to developers. Oversight and direction is provided to several industry-funded research and promotion programs. During the past year, approximately \$417 million was collected through producer assessments and used by industry to broaden and enhance local and national markets for various commodities. Currently there are active research and promotion programs for beef, cotton, dairy products, eggs and egg products, honey, pork, potatoes, watermelon, limes, soybeans, and pecans.
4. Transportation services: This program provides technical and administrative direction, coordination, and leadership in the development and execution of agricultural transportation policies and activities. The program's mission is to represent the interests of agriculture and rural communities in the U.S. to assure the availability of an adequate and economical transportation system, domestically and internationally.
5. Wholesale market development: Under this program, AMS provides technical advice and assistance to States and municipalities interested in creating new or upgrading current wholesale market facilities. AMS also conducts cooperative feasibility studies with other government agencies and the private sector to evaluate and suggest improvements in the efficiency with which agricultural commodities are handled and marketed.
6. Federal-State marketing improvement program: This program provides matching funds to State Departments of Agriculture for projects intended to improve the marketing of farm commodities. These funds enable the States to conduct marketing projects to improve local marketing systems. The aim of the program is to reduce the marketing costs for producers and, ultimately, the retail cost of food to consumers. Projects include work in innovative marketing techniques, testing study findings in the marketplace, and developing State expertise in providing service to marketers of agricultural commodities.
7. Perishable Agricultural Commodities Act: This program promotes fair trading in the fruit and vegetable industry and protects producers, shippers, distributors and retailers of fresh and frozen fruits and vegetables from financial loss due to buyer bankruptcy or unfair and fraudulent practices in the marketing of perishable agricultural commodities. This program also prohibits the unwarranted destruction or dumping of farm products handled for others.
8. Strengthening agricultural markets and producer income (Section 32): This program provides price assistance to producers through the purchase of surplus and, as necessary, other agricultural commodities from regular market outlets. Contracting offices use both Section 32 program funds and appropriated funds of the Food and Nutrition Service to make these purchases. All commodities purchased are transferred to the Food and Nutrition Service for distribution to schools, to the elderly and to other domestic food assistance programs.

AMS develops and maintains standard food specifications used government-wide to provide a more efficient Federal food procurement service.

AMS supervises the administration of the marketing agreements and orders program and conducts public hearings and referenda to determine producer sentiment toward new order programs and revisions of current programs. Marketing orders maintain orderly market conditions by establishing minimum prices which handlers pay to producers for milk and dairy products and by regulating the quality, quantity, or size of fruits and vegetables which handlers may market in commercial channels.

9. Work performed for others: AMS provides services for Federal, State, and private industry on a reimbursable basis, primarily in connection with the commodity grading and inspection programs.

AMS headquarters are located in Washington, D.C., with approximately 201 year-round and seasonal field offices. The peak employment period for AMS occurs during the four month period, September through December, due to the seasonal nature of the cotton, tobacco, and fruit and vegetable grading programs. Employment during the peak period averaged 6,430 during FY 1992. As of September 30, 1992, there were 3,601 full-time employees and 1,970 other than permanent full-time employees. Of this number, employees assigned to field office locations totaled 2,843 full-time and 1,945 other than permanent full-time employees.

AGRICULTURAL MARKETING SERVICE

Available Funds and Staff-Years

1992 Actual and Estimated, 1993 and 1994

Item	1992 Actual		1993 Estimated		1994 Estimated	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
Agricultural Marketing Service:						
Marketing Services	\$56,636,000	704	\$56,009,000	723	\$50,865,000	611
New User Fees	--	--	--	--	6,152,000	112
Payments to States and Possessions	1,250,000	--	1,250,000	--	1,250,000	--
Total	57,886,000	704	57,259,000	723	58,267,000	723
Obligations under other:						
USDA appropriations:						
Agricultural Research Service for statistical services	10,000	--	10,000	--	10,000	--
Federal Grain Inspection Service for statistical services	237,699	4	230,000	4	230,000	4
Food & Nutrition Service for commodity procurement services	794,000	13	709,000	13	709,000	13
Foreign Agri. Service for emerging democracies	714,475	2	861,000	4	861,000	4
Packers & Stockyards Administration for statistical services ..	25,000	1	25,000	1	25,000	1
National Agricultural Statistical Service for Statistical Services	10,000	--	10,000	--	10,000	--
Miscellaneous	15,000	--	15,000	--	15,000	--
Reimbursements						
Total, Other USDA Appropriations	1,806,174	20	1,860,000	22	1,860,000	22
Total, Agriculture Appropriations	59,692,174	724	59,119,000	745	60,127,000	745
Permanent Appropriations:						
Funds for Strengthening Markets, Income, and Supply (Section 32) ..	5,161,359,891	155	4,978,817,276	166	5,282,000,216	166
Recovery of prior year obligations	14,634,355	--	120,787,568	--	256,370,784	--
Carryin	262,429,546	--	4,351,863,060	--	4,771,585,000	--
Deduct transfers out	4,739,204,926	--	256,370,784	--	300,000,000	--
Deduct carryout	120,787,568	--	--	--	--	--
Net AMS	578,431,298	155	491,371,000	166	466,786,000	166
Perishable Agricultural Commodities Act Fund ..						
Total, Permanent Appropriations	6,739,807	132	7,621,000	135	7,771,000	135
Federal Funds:						
Laboratory Accreditation	600,000	--	--	--	--	--
Dairy Grading Recaptitalization	1,250,000	--	--	--	--	--
Total, Federal Funds	1,850,000	--	--	--	--	--
Non-Federal Funds:						
American Egg Board for oversight work	65,819	1	70,000	1	70,000	1
Beef Board for oversight work	163,000	2	170,000	2	170,000	2
Cotton Board for oversight work	128,139	2	150,000	2	150,000	2
Dairy Board for oversight work	398,445	5	400,000	5	400,000	5
Money Board for oversight work	93,318	1	108,000	2	108,000	2
Lime Board for oversight work	103,000	1	109,000	1	109,000	1
Mushroom Board for oversight work	104,000	1	109,000	1	109,000	1
Pecan Board for oversight work	104,000	1	109,000	1	109,000	1

AGRICULTURAL MARKETING SERVICE

Available Funds and Staff-Years1992 Actual and Estimated, 1993 and 1994

Item	1992		1993		1994	
	Actual	Staff-Years	Estimated	Staff-Years	Estimated	Staff-Years
Pork Board for oversight work	147,000	2	170,000	3	170,000	3
Potato Board for oversight work	98,000	1	111,000	2	111,000	2
Soybean Board for oversight work	152,122	2	170,000	3	170,000	3
Watermelon Board for oversight work	81,000	1	84,000	1	84,000	1
Egg products inspection:	883,354		850,000		850,000	--
Fees for grading of cotton and tobacco ...	47,091,184	1,052	55,953,000	797	55,953,000	847
Grading of farm products for producers, processors, and municipal, State and Federal Agencies	93,272,288	1,835	98,246,000	1,880	95,398,000	1,857
Milk Market Administration for Federal Telecommunications System employee compensation & New York Market Administrator	149,000	--	105,000	--	105,000	--
States for collection & dissemination of market news information	122,832	4	127,000	4	127,000	4
Total, Non-Federal Funds	143,156,501	2,911	157,041,000	2,705	154,193,000	2,732
Milk Market Orders Assessment Funds	36,302,431	562	38,843,000	522	38,843,000	522
Total, Agricultural Marketing Service	826,163,211	4,484	753,995,000	4,273	727,720,000	4,300

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AGRICULTURAL MARKETING SERVICE

Permanent Positions by Grade and Staff-Year Summary
1992 and Estimated 1993 and 1994

GRADE	1992			1993			1994		
	HEAD:	QTRS.	FIELD:	HEAD:	QTRS.	FIELD:	HEAD:	QTRS.	FIELD:
ES-6	1:	---	1:	1:	---	1:	1:	---	1
ES-5	2:	---	2:	2:	---	2:	2:	---	2
ES-4	8:	---	8:	8:	---	8:	8:	---	8
ES-2	1:	---	1:	1:	---	1:	1:	---	1
ES-1	1:	---	1:	1:	---	1:	1:	---	1
GS/GM-15	30:	1:	31:	30:	1:	31:	30:	1:	31
GS/GM-14	81:	20:	101:	81:	20:	101:	81:	20:	101
GS/GM-13	129:	53:	182:	133:	54:	187:	132:	52:	184
GS-12	156:	186:	342:	157:	190:	347:	156:	188:	344
GS-11	65:	230:	295:	66:	236:	302:	65:	233:	298
GS-10	1:	16:	17:	1:	16:	17:	1:	16:	17
GS-9	50:	776:	826:	50:	776:	826:	50:	771:	821
GS-8	9:	251:	260:	9:	259:	268:	9:	258:	267
GS-7	54:	345:	399:	55:	346:	401:	55:	344:	399
GS-6	58:	46:	104:	59:	49:	108:	59:	47:	106
GS-5	62:	206:	268:	62:	206:	268:	62:	205:	267
GS-4	55:	159:	214:	56:	161:	217:	56:	159:	215
GS-3	15:	40:	55:	15:	40:	55:	15:	40:	55
GS-2	2:	4:	6:	2:	4:	6:	2:	4:	6
Milk Market	:	:	:	:	:	:	:	:	:
Orders Adminis-	:	:	:	:	:	:	:	:	:
trators & Staff.	---	571:	571:	---	568:	568:	---	568:	568
Ungraded	:	:	:	:	:	:	:	:	:
Positions	3:	21:	24:	3:	21:	24:	3:	21:	24
Total Permanent	:	:	:	:	:	:	:	:	:
Positions	783:	2,925:	3,708:	792:	2,947:	3,739:	789:	2,927:	3,716
Unfilled	:	:	:	:	:	:	:	:	:
Positions	:	:	:	:	:	:	:	:	:
end-of-year	-22:	-64:	-86:	---	---	---	---	---	---
Total, Permanent	:	:	:	:	:	:	:	:	:
Employment, end-	:	:	:	:	:	:	:	:	:
of year	761:	2,861:	3,622:	792:	2,947:	3,739:	789:	2,927:	3,716
Staff-Years:	:	:	:	:	:	:	:	:	:
Ceiling	720:	3,764:	4,484:	760:	3,513:	4,273:	757:	3,543:	4,300

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AGRICULTURAL MARKETING SERVICE

CLASSIFICATION BY OBJECTS1992 and Estimated 1993 and 1994

	<u>1992</u>	<u>1993</u>	<u>1994</u>
Personnel Compensation:			
Headquarters	\$8,584,944	\$9,854,000	\$10,104,000
Field	<u>16,084,435</u>	<u>17,069,000</u>	<u>17,462,000</u>
11 Total personnel compensation	24,669,379	26,923,000	27,566,000
12 Personnel benefits	5,508,748	5,651,000	5,786,000
13 Benefits for former personnel	<u>62,687</u>	<u>62,000</u>	<u>64,000</u>
Total personnel compensation and benefits	<u>30,240,814</u>	<u>32,636,000</u>	<u>33,416,000</u>
Other Objects:			
21 Travel	1,900,784	2,165,000	2,167,000
22 Transportation of things	146,121	140,000	140,000
23.2 Rental payments to others	460,114	571,000	572,000
23.3 Communications, utilities and misc. charges	2,571,940	2,606,000	2,563,000
24 Printing and reproduction	335,558	364,000	365,000
25.1 Consultants	50,000	140,000	141,000
25.2 Other services	15,875,590	15,799,000	16,030,000
26 Supplies and materials ..	1,004,525	552,000	554,000
31 Equipment	2,884,312	1,036,000	1,069,000
32 Land and structures	21,387	--	--
41 Grants, subsidies and contributions	1,250,000	1,250,000	1,250,000
42 Insurance claims and indemnities	899	--	--
43 Interest and dividends ..	<u>3,624</u>	<u>--</u>	<u>--</u>
Total other objects	<u>26,504,854</u>	<u>24,623,000</u>	<u>24,851,000</u>
Total obligations	<u>56,745,668</u>	<u>57,259,000</u>	<u>58,267,000</u>
<u>Position Data:</u>			
Average Salary, ES positions	103,469	106,769	106,769
Average Salary, GM/GS positions	30,361	31,503	31,494
Average Grade, GM/GS positions	8.73	8.74	8.73

AGRICULTURAL MARKETING SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Marketing Services:

- For necessary expenses to carry on services related to consumer protection, agricultural marketing and distribution, transportation, and regulatory programs as authorized by law, and for administration and coordination of payments to States; including field employment pursuant to section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed \$90,000 for employment under 5 U.S.C. 3109, [\$56,221,000;] \$50,865,000; of which not less than [\$2,313,000] \$2,348,000 shall be available for the Wholesale Market Development Program for the design and development of wholesale and farmer market facilities for the major metropolitan areas of the country; in addition such sums as may be collected from fees for the cost of standardization activities, as established by regulation, and such sums as may be collected from fees for the cost of all inspection services performed at times other than during an approved primary shift, as established by regulation shall be credited to this account, to be available for carrying out the purposes of the standardization and inspection programs without further appropriation; Provided, That this appropriation shall be available pursuant to law (7 U.S.C. 2250) for the alteration and repair of buildings and improvements, but, unless otherwise provided, the cost of altering any one building during the fiscal year shall not exceed 10 per centum of the current replacement value of the building.

The first change in language is for shifting the funding source of standards from appropriation to user fees.

The second change in language is for shifting the funding source of egg products inspection appropriation to user fees for services provided beyond the primary shift.

MARKETING SERVICES

Appropriations Act, 1993	\$56,221,000
Budget Estimate, 1994:	
Appropriation	\$50,865,000
New User Fees	6,152,000
Total, Budget Estimate, 1994	<u>57,017,000</u>
Increase in Estimate	<u>+796,000</u>
Adjustments in 1993:	
Appropriations Act, 1993	56,221,000
Activities transferred per	
Secretary's transfer authority a/	<u>-212,000</u>
Adjusted base for 1993	56,009,000
Budget Estimate, 1994	<u>57,017,000</u>
Increase over adjusted 1993	<u>+1,008,000</u>

a/ Reflects the FY 1993 transfer of \$212,000 pursuant to the authority provided by the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 1993. This authority provided that the Secretary of Agriculture could transfer salaries and expenses funds to meet workload requirements.

SUMMARY OF INCREASES AND DECREASES

(On basis of appropriation and user fees)

<u>Item of Change</u>	<u>1993</u> <u>Estimated</u>	<u>Pay Cost</u>	<u>Other</u> <u>Changes</u>	<u>1994</u> <u>Estimated</u>
Market News Service	\$19,077,000	+\$407,000	-\$17,000	\$19,467,000
Inspection and Standardization:				
Appropriations	17,102,000	+358,000	-6,148,000	11,312,000
New User Fees	--	--	+6,152,000	6,152,000
Market Protection and Promotion	14,947,000	+127,000	+28,000	15,102,000
Wholesale Market Development ..	2,313,000	+33,000	+2,000	2,348,000
Transportation Services	<u>2,570,000</u>	<u>+65,000</u>	<u>+1,000</u>	<u>2,636,000</u>
Total Available	<u>56,009,000</u>	<u>+990,000</u>	<u>+18,000</u>	<u>57,017,000</u>

PROJECT STATEMENT

(On basis of appropriation and user fees)

	<u>1992 Actual</u>	<u>1993 Estimated</u>	<u>Increase</u>	<u>1994 Estimated</u>
	<u>:Staff-</u>	<u>:Staff-</u>	<u>or</u>	<u>:Staff-</u>
	<u>:Amount</u>	<u>:Amount</u>	<u>:Decrease</u>	<u>:Amount</u>
	<u>:Years</u>	<u>:Years</u>		<u>:Years</u>
1. <u>Market News</u>	:	:	:	:
<u>Service:</u>	:	:	:	:
(a) Cotton and	:	:	:	:
cottonseed: \$1,915,976:	29:	\$2,006,000:	29:	+\$37,000:
(b) Dairy	:	:	:	:
products .. 622,770:	13:	548,000:	11:	+15,000:
(c) Fruits and	:	:	:	:
vegetables: 5,773,310:	107:	5,482,000:	103:	+112,000:
(d) Livestock,	:	:	:	:
meats&grain: 7,403,874:	119:	7,561,000:	123:	+151,000:
(e) Poultry	:	:	:	:
products .. 2,535,403:	39:	2,536,000:	41:	+58,000:
(f) Tobacco 868,489:	19:	944,000:	20:	+17,000:
Total,	:	:	:	:
Market News	:	:	(1):	:
Service19,119,822:	326:	19,077,000:	327:	+390,000:
				19,467,000: 327

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PROJECT STATEMENT
(On basis of appropriation and user fees)

	1992 Actual		1993 Estimated		Increase or Decrease	1994 Estimated	
	Amount	Staff- Years	Amount	Staff- Years		Amount	Staff- Years
2. <u>Inspect. and Standardiza.</u>							
(a) Egg products inspection:							
Approp.	12,563,001		199:12,725,000		202: -1,413,000	11,312,000	162
New User Fee	--	--	--	--	--: +1,700,000	1,700,000	40
(b) Standardization:							
Approp.	4,391,726		75: 4,377,000		72: -4,377,000	--	--
New User Fee	--	--	--	--	--: +4,452,000	4,452,000	72
Total, Inspec. & Standardiza..	16,954,727		274:17,102,000		274: +362,000	17,464,000	274
3. <u>Market Protection and Promotion:</u>							
(a) Federal Seed Act ...	1,125,976		18: 1,160,000		19: +35,000	1,195,000	19
(b) Market development and assistance:	13,394,460		30:13,787,000		46: +120,000	13,907,000	46
Total, Market Protection and Promotion	14,520,436		48:14,947,000		65: +155,000	15,102,000	65
4. <u>Wholesale Market Development.</u>	2,287,277		25: 2,313,000		26: +35,000	2,348,000	26
5. <u>Transportation Svcs.</u>	2,613,406		31: 2,570,000		31: +66,000	2,636,000	31
Unobligated bal.	1,140,332	--	--	--	--: --	--	--
Total, available or estimate	56,636,000		704:56,009,000		723: +1,008,000	57,017,000	723
New User Fee	--	--	--	--	--: -6,152,000	-6,152,000	-112
Transfer to Other USDA Agencies		--	+212,000	--	--: -212,000	--	--
Total, appropriation ..	56,636,000		704:56,221,000		723: -5,356,000	50,865,000	611

EXPLANATION OF PROGRAM

1. Market News Service:

The market news program is carried out under the following authorities:

Agricultural Marketing Act of 1946
Cotton Statistics and Estimates Act of 1927
Naval Stores Act
Tobacco Statistics Act
Tobacco Inspection Act of 1935
U.S. Cotton Futures Act
Peanut Statistics Act
Food Security Act of 1985

Market news information is gathered on various agricultural products including dairy products, fruits and vegetables, livestock and meat, grain, poultry, eggs, cotton and tobacco. Market news provides those engaged in the production and marketing of farm products, as well as related industries with timely, accurate, and unbiased market information. This market information covers local, regional, national, and international markets and includes current data on supply, movement, contractual agreements, inventories, and prices at specific markets for practically all agricultural commodities. On a day-to-day basis those utilizing market news information are in a position to make the critical decisions of where and when to sell, and at what price.

Market information is obtained by both Federal and State reporters at trading points or by telephone. Information collected by these reporters is analyzed and disseminated immediately to the agricultural community by automatic telephone answering devices, facsimile machines, printed reports, radio and television, newspaper columns, and data networks. National information is integrated with local information and released in a form easily understood by the industry and locality served. Subscription fees are now charged for all printed and mailed reports except tobacco. Legislation authorizing the investment of these funds is contained in the 1990 Food, Agriculture, Conservation, and Trade Act.

Market News Workload Data, FY 1992:

Commodity Group	Field Offices		Buyers and Sellers Inter- viewed	Printed Reports Issued (Thous.)	Number on Mailing List	No. of Federal Reporters	No. of Markets Covered
	Year Round	Sea- sonal					
Cotton and Cottonseed	4	--	3,067	* 119	2,454	8	11
Dairy and Dairy Products	1	--	450	114	2,688	4	46
Fruits and Vegetables	35	12	10,259	1,161	17,209	53	807
Livestock, Grain, and Meat	47	--	15,200	321	4,991	72	672
Poultry and Eggs	13	--	1,700	58	589	25	81
Tobacco	2	2	500	15	1,024	5	135

* Change in method of reporting

2. Inspection, Grading and Standardization:

This program is carried out under the following authorities:

- Agricultural Marketing Act of 1946
- Agricultural Fair Practices Act
- Cotton Statistics and Estimates Act of 1927
- U.S. Cotton Futures Act
- United States Cotton Standards Act
- Naval Stores Act
- Tobacco Inspection Act of 1935
- Tobacco Statistics Act
- Wool Standards Act
- Egg Products Inspection Act
- Dairy and Tobacco Adjustment Act of 1983
- Food Security Act of 1985

This program covers three distinct areas that facilitate the domestic and international marketing of agricultural commodities: development and maintenance of commodity quality standards, egg products inspection, and commodity grading.

- a. Standards. AMS develops, reviews, and maintains agricultural commodity standards that describe product quality attributes such as taste, color, texture, yield, weight, and physical condition. Standards are developed for use in grading cotton, tobacco, naval stores, wool, mohair, livestock and meat, poultry, eggs, fruits, vegetables, nuts, and dairy products.

Standardization Workload Data:

	FY 1992 <u>Actual</u>	FY 1993 <u>Estimate</u>	FY 1994 <u>Estimate</u>
International and U.S. standards in effect, end of year	593	590	592
Number of commodities covered	236	236	236
Standards revised	39	23	25

- b. Inspection. This activity involves continuous mandatory inspection of egg processing plants producing liquid, frozen, or dried egg products to ensure products sold are wholesome, unadulterated and truthfully labeled. In cooperation with State Departments of Agriculture, shell egg grading operations are inspected at least four times yearly to control the disposition of certain types of undergrade and restricted eggs.

Egg Products Inspection Workload Data:

	FY 1992 <u>Actual</u>	FY 1993 <u>Estimate</u>	FY 1994 <u>Estimate</u>
Egg products inspected (million pounds)	2,209	2,340	2,480
Egg products accepted (million pounds)	40	50	60
Egg products shifts	125	126	126
Egg handler surveillance visits	6,953	6,600	6,200
States and Commonwealths with cooperative agreements	52	52	52
Official samples submitted for analysis:			
Food chemistry and microbiology	28,663	26,700	26,700
Chemical residues	278	280	560

- c. Grading. The grading process involves the application of quality standards to agricultural commodities. Grading services are offered to users who pay published fees for services provided. These services facilitate marketing by permitting purchasers to buy commodities without having to inspect them personally and by providing an impartial evaluation of the quality of products prior to their sale. AMS certification services provide assurance to buyers that the products they receive are the quantity and quality specified in their contract with the seller.

Grading Workload Data:

	FY 1992 <u>Actual</u>	FY 1993 <u>Estimate</u>	FY 1994 <u>Estimate</u>
Cotton Classifications (thousand bales):			
Smith-Doxey Amendment	16,373	15,000	15,000
United States Cotton Standards Act:			
Public Classing Service	23	26	26
U.S. Cotton Futures Act	273	300	300
Total, Cotton Classifications	16,669	15,326	15,326

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Poultry and Egg Grading:			
Poultry products graded (includes rabbits - million pounds)	16,060	16,255	16,826
Shell eggs graded (million dozen)	1,455	1,389	1,334
Pounds accepted (poultry - million pounds)	1,204	1,490	1,640
Dozens accepted (eggs-million dozen)	587	600	612
Meat Grading:			
Meat graded (million pounds)	17,900	18,080	18,260
Meat accepted (million pounds)	2,184	2,000	1,600
Livestock Grading:			
Livestock graded (million pounds)	76	40	40
Fresh Fruit, Vegetable & Nut Grading:			
Product inspected (million pounds)	81,700	83,000	84,900
Processed Fruit and Vegetable Grading:			
Product inspected (million pounds)	9,500	9,600	9,600
Dairy Grading:			
Butter graded (million pounds)	1,245	1,300	1,300
Cheese graded (million pounds)	102	150	150
Dry milk graded (million pounds)	261	300	350
Other products graded (million pounds)	122	150	150
Plant inspections	1,053	1,200	1,500
Tobacco Grading:			
Flue-cured (million pounds)	1,003	1,050	1,050
Fire-cured (million pounds)	17	20	20
Dark air-cured (million pounds)	5	5	5
Burley (million pounds)	708	725	725
Tobacco Reinspection (million pounds)	134	130	130
Imported Tobacco Inspection (million pounds)	375	375	375
TOTAL, Tobacco Inspection and Grading	2,242	2,305	2,305
Laboratory Testing: (Number of Tests in Thousands)			
Eastern Lab:			
Poultry (Voluntary)	14	15	15
Tobacco-pesticide	38	38	38
Midwestern Lab:			
Dairy	66	66	66
Miscellaneous	43	44	44
Aflatoxin Labs	127	127	127
Citrus Lab	13	13	13
Cottonseed Lab	37	37	37

3. Market Protection and Promotion:

In the administration of market protection and promotion activities the Agricultural Marketing Service operates under the following authorities:

Agricultural Marketing Act of 1946
 Capper Volstead Act
 Cotton Research and Promotion Act
 Egg Research and Consumer Information Act
 Export Apple and Pear Act
 Export Grape and Plum Act
 Federal Seed Act
 National Wool Act of 1954

Plant Variety Protection Act
 Potato Research and Promotion Act
 Dairy and Tobacco Adjustment Act of 1983
 Honey Research, Promotion and Consumer Information Act
 Beef Promotion and Research Act of 1985
 Pork Promotion, Research and Consumer Information Act of 1985
 Watermelon Research and Promotion Act
 Soybean Promotion, Research and Consumer Information Act of 1990
 Pecan Promotion and Research Act of 1990
 Mushroom Research, Promotion and Consumer Information Act of 1990
 Lime Research, Promotion and Consumer Information Act of 1990
 Fluid Milk Promotion Act of 1990

- a. Pesticide Recordkeeping Program. This program is authorized by the Food, Agriculture, Conservation, and Trade Act of 1990 to ensure records of federally restricted use pesticides are maintained by certified pesticide applicators. This program also requires records be surveyed to provide a database on restricted use pesticide usage.

In FY 1993 a Memorandum of Understanding among the Agricultural Marketing Service, National Agricultural Statistics Service, and the Environmental Protection Agency will be entered into designating the responsibilities and roles of each agency pertaining to surveying records and reporting on restricted use pesticide usage. AMS intends to work with the Extension Service to develop training and materials on the importance of maintaining these records. If major lapses occur, AMS has authority to monitor compliance with the program by entering into cooperative agreements with State pesticide regulatory agencies to utilize State staff to inspect certified applicator records. A Federal program can be established in States where the State chooses not to enter into a cooperative agreement with AMS.

Pesticide Recordkeeping Program Workload Data:

	FY 1992 <u>Actual</u>	FY 1993 <u>Estimate</u>	FY 1994 <u>Estimate</u>
Number of participating states and territories	6	40	54

- b. Pesticide Data Program. This program is a comprehensive, multi-agency program designed to collect and analyze pesticide use and residue concentration levels in food. The Pesticide Data program addresses the increased public interest in pesticide issues and provides a data base for government agencies to respond effectively to food safety issues.

In FY 1993, the Pesticide Data program will continue to increase analytical testing, improve the sampling system, finalize the program's Standard Operating Procedures, complete the data information system, and add additional commodities to the program.

Three new states, Colorado, North Carolina, and Ohio, began sample collection in January 1993. The number of samples per commodity/month will change from 52 to 60 with the addition of the new states, as well as adjusting the number of samples per commodity to be collected in the initial six states. The addition of these states provides the basis of a national program based on approximately 50 percent of the nation's population and regional diversity.

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Two new commodities, broccoli and carrots were added in October 1992, bringing the total number in the program to 12, including 86 commodity pesticide pairs. Benomyl analyses were scheduled for all broccoli samples. In January 1993, selected carbamates (insecticide cholinesterase inhibitors) will be added for all commodities tested. Changes in the pesticide testing profile based on the revised EPA list will include the immediate addition of 11 pesticides already detected in PDP and the planning for other specialty methods, such as avermectin and formetanate.

Pesticide Data Program Workload Data:

	1992 Actual	1993 Estimate	1994 Estimate
Participating States	6	9	9
Commodity/Pesticide Pairs	71	350	450
Number of samples collected	5,232	8,650	12,000

- c. Federal Seed Act. This Act regulates agricultural and vegetable seed moving in interstate commerce. It prohibits false labeling and advertising of seed and the shipment of prohibited noxious-weed seed into a State. About 500 State seed inspectors are authorized to inspect seed subject to the Act. Seed samples are routinely drawn by State seed inspectors to monitor seed sold commercially. Should an inspection reveal infractions of the Act, a complaint may be referred to AMS by the cooperating State agency. Based on the results of the tests and investigations, AMS attempts to resolve each case administratively. If a case cannot be resolved administratively, AMS will initiate appropriate legal action. Intrastate infractions are subject to State laws.

Federal Seed Act Workload Data:

	FY 1992 Actual	FY 1993 Estimate	FY 1994 Estimate
<u>Seed Testing:</u>			
Seed samples tested in connection with:			
Interstate shipments	588	1,000	1,000
Check tests	461	700	700
Variety testing	3,257	2,000	2,000
Total number of samples tested	4,306	3,700	3,700

Interstate Enforcement:

<u>Cases for Investigation:</u>			
Total to be investigated	1,015	1,150	1,150
Investigations completed	411	650	650
Pending at end of year	604	500	500
<u>Administrative Actions:</u>			
No action warranted	49	50	50
Warnings issued	290	500	500
Citations issued	62	100	100
Prosecutions recommended	--	--	--
<u>Administrative Settlements:</u>			
Settlements terminated	66	100	100
Settlements pending	30	30	30

- d. Plant Variety Protection Act. This program offers legal protection to developers of novel varieties of sexually reproduced plants through the issuance of a certificate. These certificates assure developers exclusive rights to sell, reproduce, import, or export such varieties, or use them in the production of hybrids of different varieties for a period of 18 years. Fees are charged to those applying for certificates of protection and the funds are retained by the Department to fund the program.

Plant Variety Protection Workload Data:

	1992 <u>Actual</u>	1993 <u>Estimate</u>	1994 <u>Estimate</u>
Pending applications, beginning of year	659	582	547
New applications received	279	300	300
Certificates issued	323	325	350
Applications abandoned	33	20	20
Pending applications, end of year	582	547	487
Number of years to process pending applications	1.8	1.7	1.4

- e. The Research and Promotion Acts. The various Research and Promotion Acts provide for the collection of an assessment from producers to carry out research and promotion activities for beef, cotton, dairy products, eggs and egg products, honey, pork, potatoes, and watermelons. It is the responsibility of AMS to review and approve the budgets and the projects proposed by the research and promotion boards. Each research and promotion activity reimburses AMS for the cost of overseeing these programs.

Legislation authorizing the establishment of research and promotion activities for pecans, mushrooms, limes, soybeans, and fluid milk is contained in the 1990 Food, Agriculture, Conservation and Trade Act. These programs are in various stages of implementation. The Order issuing the implementation of the soybean research and promotion program was signed by the Secretary of Agriculture on July 9, 1991, and collection of assessments began on September 1, 1991. On August 28, 1992, a fluid milk promotion proposal was received by the Department. The pecan research and promotion program became fully operational in September 1992. The mushroom research and promotion program is expected to become fully operational in the spring of 1993 and the lime research and promotion program in the early summer of 1993.

(Dollars in Millions)

<u>Programs</u>	<u>FY 1992 Actual</u>		<u>FY 1993 Estimate</u>		<u>FY 1994 Estimate</u>	
	<u>Assessments Collected</u>	<u>Funds Expended</u>	<u>Assessments Collected</u>	<u>Funds Expended</u>	<u>Assessments Collected</u>	<u>Funds Expended</u>
Beef	\$42.9	\$62.3	\$43.0	\$46.0	\$43.0	\$46.0
Cotton	44.7	45.1	48.0	47.0	48.1	49.0
Dairy	75.6	79.0	76.0	78.4	76.1	78.5
Egg	7.7	9.0	7.5	9.0	7.5	7.6
Lime	--	--	1.3	1.0	1.4	1.1
Mushroom	--	--	0.5	0.5	2.0	1.5

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Pecan	--	--	1.0	1.0	1.4	1.2
Honey	2.7	3.6	2.8	3.7	2.8	3.3
Pork	36.7	37.2	39.2	38.2	44.2	42.7
Potato	6.0	5.4	6.5	7.0	6.8	7.0
Soybean	20.1	11.6	20.0	20.0	21.0	21.0
Watermelon	<u>0.7</u>	<u>0.5</u>	<u>0.6</u>	<u>0.5</u>	<u>0.6</u>	<u>0.5</u>
Total	<u>\$237.1</u>	<u>\$253.7</u>	<u>\$246.4</u>	<u>\$252.3</u>	<u>\$254.9</u>	<u>\$259.4</u>

4. Wholesale Market Development:

Activities in this program are carried out under the authority of the Agricultural Marketing Act of 1946.

The Wholesale Market Development Program conducts research and provides technical assistance aimed at improving food marketing efficiency. It emphasizes the most effective types of facilities needed to market farm products, to distribute food within urban areas, and to assess new marketing methods. Projects are conducted in cooperation with growers, trade groups, individual food companies, and State and local governments.

Program activities for FY 1992 are primarily associated with projects initiated in prior years, including high priority projects mandated by Congress and technical assistance to help implement previous wholesale market studies. Major studies include: (1) a comprehensive evaluation of the need for new wholesale food facilities in Chicago, Illinois to maintain an efficient flow of food and related products to this important population center, (2) an assessment of the potential for developing a major food and related products marketing center in the Columbia area of South Carolina, (3) a feasibility study for a multi-faceted market center in Maine, and (4) a major project in the Toledo, Ohio area with Ohio State University, the Toledo Department of Natural Resources, and the Toledo Warehouse District Association to provide solutions to the current farmers' market problems due to changing land use, and consumer buying patterns.

Other market development activities in FY 1992 included: (1) Agricultural Wholesale Marketing Projects for the Czech and Slovak Republics and Poland. These studies will provide a technical focus for developing modern marketing facilities in the countries' major cities. Such a center could include a combined wholesale/farmers' market/specialized auction at a single location; (2) conduct market assessments to assist former Soviet Union agribusiness and government officials to gather data regarding market news, grades and standards, trading practices, and the government role in product marketing. Assessments will be needed in a number of locations to evaluate current marketing practices; and (3) AMS is planning additional Cochran Fellowship training programs in food marketing to assist various Eastern Europe and former Soviet Union states in the transition from a state and collective farm system to one that supports the development of private agriculture. The proposal would bring many Eastern European and former Soviet agricultural leaders to the United States to strengthen their understanding of the functioning of a private agricultural marketing system.

Wholesale Market Development Workload Data:

	<u>1992 Actual</u>	<u>1993 Estimate</u>	<u>1994 Estimate</u>
Wholesale market facilities studies completed	2	4	5
Research projects completed	3	3	4

5. Transportation Services:

The Agricultural Marketing Service carries out Transportation Services activities under the following authorities:

Agricultural Marketing Act of 1946
 Agricultural Adjustment Act of 1938
 Agricultural Trade and Assistance Act of 1954
 Rural Development Act of 1972
 International Carriage of Perishable Foodstuffs Act of 1982.

These activities are designed to assure that the transportation system will adequately serve the agricultural and rural areas of the United States and will provide the services necessary to assure the residents of these areas adequate facilities for the movement of agricultural commodities and people. The main areas of responsibility are providing technical assistance to shippers and carriers, technological research, development, demonstrations in agricultural transport equipment, and participation in transportation regulatory actions before various Federal agencies. This program administers the implementation of the International Carriage of Perishable Foodstuffs Act of 1982. In addition, Transportation Services provides economic analyses to enable the Department of Agriculture to develop policy recommendations for addressing current or anticipated problems in domestic and international agricultural transportation.

FY 1992 activity includes: (1) Intermodal Surface Transportation Efficiency Act (ISTEA) workshops, which are designed to inform citizens of the impact of ISTEA on their state and rural transportation activities, and the need to become involved in the planning process; (2) participation in North American Free Trade negotiations, helping with the transportation issues of the North American Free Trade Agreement (NAFTA); and (3) AMS released an agricultural transportation report, titled, "Soviet Agricultural Transportation: A Statistical Summary," in draft form, with a revised final report prepared for mass distribution.

JUSTIFICATION OF INCREASES AND DECREASES Marketing Services

- (1) A net increase of \$390,000 for market news services consisting of:
 - (a) an increase of \$185,000 which reflects a 2.7 percent increase in non-salary costs.
 - (b) an increase of \$407,000 which reflects the annualization of the fiscal year 1993 pay raise.

- (c) a decrease of \$170,000 for administrative efficiency.

Need for Change. To promote the efficient use of resources for administrative purposes, in keeping with the President's Executive Order, total USDA baseline outlays for these activities will be reduced by 3 percent in FY 1994, 6 percent in FY 1995, 9 percent in FY 1996 and 14 percent in FY 1997.

Nature of Change. In order to achieve this savings, AMS will carefully monitor travel expenses, supply purchases, printing and reproduction costs, and utility usage.

- (d) a decrease of \$32,000 for FTS 2000 funding.

This decrease reflects lower long distance telecommunications prices due to price redeterminations in the FTS 2000 contracts.

- (2) A net increase of \$362,000 for standardization and inspection services consisting of:

- (a) an increase of \$149,000 which reflects a 2.7 percent increase in non-salary costs.

- (b) an increase of \$358,000 which reflects the annualization of the fiscal year 1993 pay raise.

- (c) a decrease of \$137,000 for administrative efficiency.

Need for Change. To promote the efficient use of resources for administrative purposes, in keeping with the President's Executive Order, total USDA baseline outlays for these activities will be reduced by 3 percent in FY 1994, 6 percent in FY 1995, 9 percent in FY 1996 and 14 percent in FY 1997.

Nature of Change. In order to achieve this savings, AMS will carefully monitor travel expenses, supply purchases, printing and reproduction costs, and utility usage.

- (d) a decrease of \$8,000 for FTS 2000 funding.

This decrease reflects lower long distance telecommunications prices due to price redeterminations in the FTS 2000 contracts.

- (e) no net change for standardization (a decrease of \$4,452,000 in appropriations offset by an increase of \$4,452,000 user fees).

Need for Change. AMS develops, reviews, and maintains agricultural commodity standards that describe product quality attributes for use in the voluntary grading programs. Users of AMS grading services benefit from the development and maintenance of quality standards.

Nature of Change. This proposal would shift funding for the standardization program from appropriation to user fees. Costs incurred for commodity standards would be charged to users of the grading programs as a part of the grading fees.

- (f) no net change in appropriated funding for egg products inspection (a decrease of \$1,700,000 in appropriations offset by an increase of \$1,700,000 in user fees).

Need for Change. AMS proposes to institute user fees to recover the full cost of providing egg products inspection for second and third shifts in fiscal year 1994. It is inequitable to charge overtime fees to those plants without enough production to warrant an additional complete shift while larger plants with more than one regularly scheduled shift are not assessed fees.

Nature of Change. User fees will be charged to recover 100 percent of the cost of providing egg products inspection for regularly scheduled second or third shifts. Facilities which operate beyond regularly scheduled shifts already pay overtime costs for inspection. Establishments which regularly operate a second shift are now provided inspection without reimbursing the Agency.

- (3) A net increase of \$155,000 for market protection and promotion consisting of:

- (a) an increase of \$379,000 which reflects a 2.7 percent increase in non-salary costs.
- (b) an increase of \$127,000 which reflects the annualization of the fiscal year 1993 pay raise.
- (c) a decrease of \$348,000 for administrative efficiency.

Need for Change. To promote the efficient use of resources for administrative purposes, in keeping with the President's Executive Order, total USDA baseline outlays for these activities will be reduced by 3 percent in FY 1994, 6 percent in FY 1995, 9 percent in FY 1996 and 14 percent in FY 1997.

Nature of Change. In order to achieve this savings, AMS will carefully monitor travel expenses, supply purchases, printing and reproduction costs, and utility usage.

- (d) a decrease of \$3,000 for FTS 2000 funding.

This decrease reflects lower long distance telecommunications prices due to price redeterminations in the FTS 2000 contracts.

- (4) A net increase of \$35,000 for wholesale market development consisting of:

- (a) an increase of \$29,000 which reflects a 2.7 percent increase in non-salary costs.
- (b) an increase of \$33,000 which reflects the annualization of the fiscal year 1993 pay raise.
- (c) a decrease of \$27,000 for administrative efficiency.

Need for Change. To promote the efficient use of resources for administrative purposes, in keeping with the President's Executive Order, total USDA baseline outlays for these activities will be reduced by 3 percent in FY 1994, 6 percent in FY 1995, 9 percent in FY 1996 and 14 percent in FY 1997.

Nature of Change. In order to achieve this savings, AMS will carefully monitor travel expenses, supply purchases, printing and reproduction costs, and utility usage.

- (5) A net increase of \$66,000 for transportation services consisting of:

- (a) an increase of \$14,000 which reflects a 2.7 percent increase in non-salary costs.
- (b) an increase of \$65,000 which reflects the annualization of the fiscal year 1993 pay raise.
- (c) a decrease of \$13,000 for administrative efficiency.

Need for Change. To promote the efficient use of resources for administrative purposes, in keeping with the President's Executive Order, total USDA baseline outlays for these activities will be reduced by 3 percent in FY 1994, 6 percent in FY 1995, 9 percent in FY 1996 and 14 percent in FY 1997.

Nature of Change. In order to achieve this savings, AMS will carefully monitor travel expenses, supply purchases, printing and reproduction costs, and utility usage.

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Agricultural Marketing Service
Marketing Services
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1992 and Estimated 1993 and 1994

	1992		1993		1994	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
Alabama	\$295,000	6	\$298,000	6	\$303,000	6
Alaska	7,400	--	7,000	--	7,000	--
Arizona	284,805	6	286,000	6	290,000	6
Arkansas	507,798	9	516,000	9	525,000	9
California	5,496,168	44	4,750,000	45	4,790,000	45
Colorado	428,319	7	329,000	7	333,000	7
District of Columbia.	23,412,756	245	24,393,000	265	25,025,000	265
Florida	1,634,775	10	1,788,000	10	1,796,000	10
Georgia	898,816	19	905,000	20	920,000	20
Hawaii	14,410	--	15,000	--	15,000	--
Idaho	92,903	2	93,000	2	95,000	2
Illinois	605,199	14	807,000	14	817,000	14
Indiana	470,837	8	479,000	8	488,000	8
Iowa	3,256,199	63	3,296,000	63	3,353,000	63
Kansas	258,805	6	260,000	6	264,000	6
Kentucky	134,469	3	135,000	3	137,000	3
Louisiana	175,911	4	177,000	4	180,000	4
Maine	123,967	2	125,000	2	127,000	2
Maryland	112,820	2	113,000	2	115,000	2
Massachusetts	196,934	5	197,000	5	200,000	5
Michigan	1,131,005	5	1,232,000	5	1,236,000	5
Minnesota	1,247,625	22	1,266,000	22	1,288,000	22
Mississippi	833,641	7	891,000	7	897,000	7
Missouri	752,127	16	757,000	16	770,000	16
Montana	77,072	2	77,000	2	78,000	2
Nebraska	443,885	10	445,000	10	452,000	10
New Jersey	985,025	19	997,000	19	1,014,000	19
New York	2,079,046	17	2,507,000	17	2,519,000	17
North Carolina	1,527,228	23	1,371,000	23	1,393,000	23
Ohio	651,333	6	480,000	6	487,000	6
Oklahoma	216,672	5	218,000	5	221,000	5
Oregon	246,577	6	248,000	6	252,000	6
Pennsylvania	641,875	14	648,000	14	659,000	14
Puerto Rico	61,220	1	62,000	1	63,000	1
South Carolina	767,238	19	788,000	17	802,000	17
South Dakota	150,090	4	151,000	4	153,000	4
Tennessee	1,306,297	32	1,322,000	31	1,343,000	31
Texas	2,122,221	18	2,076,000	18	2,089,000	18
Utah	63,054	1	64,000	1	65,000	1
Virginia	22,167	--	22,000	--	22,000	--
Washington	1,396,350	13	1,053,000	13	1,064,000	13
West Virginia	93,091	2	93,000	2	94,000	2
Wisconsin	183,536	5	183,000	5	186,000	5
Wyoming	89,002	2	89,000	2	90,000	2
Subtotal, Available or Estimate	55,495,668	704	56,009,000	723	57,017,000	723
Unobligated balance	1,140,332	--	--	--	--	--
Total, Available or Estimate	\$56,636,000	704	\$56,009,000	723	\$57,017,000	723

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MARKETING SERVICES

STATUS OF PROGRAM

MARKET NEWSCurrent Activities:

The Market News Service provides current, unbiased information on supplies, demand, prices, movement, location, quality, condition, and other market data on farm products in specific markets and marketing areas. This information is supplied to producers, processors, distributors, and others to assist them in the orderly marketing and distribution of farm commodities.

Selected Examples of Recent Progress:1. Market News Information System:

In FY 1992, AMS continued development, implementation, and enhancement of the market news database system. This system is designed to improve the availability and usefulness of market news information by establishing uniformity of data across the six commodity divisions, improve access, and organize data to allow individualized data queries. Databases for Dairy, Livestock and Seed, Tobacco, Fruit and Vegetable, and Poultry market news have been implemented. AMS is working to fully utilize these new capabilities. The Cotton database has recently begun acceptance testing. For FY 1993, AMS plans to integrate field office databases with headquarters' databases. In addition, AMS will begin refining its plans for expanded data dissemination, as well as coordination with other countries, particularly Canada and Mexico.

2. International Cooperation and Reporting:

AMS implemented a pilot project for international market news reporting by establishing a twice weekly report of wholesale price information from Mexico, Canada, the U. S. and Great Britain in April 1992. Shipping point information from Mexico, Chile and the Caribbean Basin countries is included in these reports. AMS also assists other countries to develop their market news programs. AMS has been active in visits, exchanges of technical information, and training with the countries of Mexico, Canada, Japan, Russia, Poland and Bulgaria to improve the exchange of international market news and enhance international agricultural trade.

3. Meat Reporting Initiatives:

Several initiatives including expanded reporting of distributive carcass lamb reports and development of lamb cuts reports were completed. A weekly lamb carcass cutout report was developed which utilizes the weekly distributive Northeast Coast Lamb Cut report as the basis for its lamb cut primal price values making up the cutouts. The Boxed Lamb Cuts Report was developed with prices reported on twelve basic cuts with weight and trim variations on several items. These reports were implemented at the request of the American Sheep Industry (ASI). ASI's request was supported by the House Committee on Agriculture and by the Senate Committee on Agriculture, Nutrition and Forestry.

INSPECTION, GRADING AND STANDARDIZATIONCurrent Activities:

AMS administers an egg products inspection program which ensures that all egg products are wholesome, unadulterated, and truthfully labeled. AMS provides continuous in-plant inspection of plants manufacturing egg products, a shell egg surveillance program, and an imported egg products inspection program.

The commodity grading and standardization programs assist in the marketing of agricultural products by establishing and applying standards which reflect relative quality characteristics for a particular commodity, such as taste, color, weight, yield, and physical condition. These standards are used to grade livestock, meat, wool, poultry and eggs, dairy products, cotton, tobacco, and fruits and vegetables as well as other commodities ranging from rabbits to Christmas trees. Certification and acceptance services are available to users interested in ensuring that commodity purchases conform to contract specifications. Grading, certification, and acceptance services are provided on a fee-for-service basis.

Centralized scientific support is provided by the Science program. This program provides the laboratory diagnostic tests necessary to support the grading of certain commodities. The program is also the focal point within AMS for research applied activities involving innovative technologies to promote food safety and quality, and to conduct quality assurance audits for laboratories performing analyses on various commodities.

Selected Examples of Recent Progress:

1. Egg Products Inspection:

At the end of FY 1992, continuous in-plant inspection was provided to 80 egg products processing plants. Under the import inspection program, approximately 1.2 million pounds of egg products from Canada were approved for importation, up from 0.3 million pounds in FY 1991.

The Egg Products Inspection Act (EPIA) also requires control of the disposition of "restricted eggs" (eggs that are cracked, dirty, incubator rejects, inedible, leaking, or otherwise unfit for human consumption) to ensure that only shell eggs fit for human consumption are available to consumers. Inedible eggs constitute a small proportion of all eggs and most inedible shell eggs and egg products are used in animal feed. The remainder are destroyed. During FY 1992, the volume of inedible shell eggs and egg products amounted to approximately 6.7 percent of liquid egg production. As a result of plant consolidations and closings, the number of shell egg handlers and hatcheries inspected in FY 1992 decreased. During FY 1992, 1,072 shell egg handlers and 465 hatcheries were inspected at least quarterly. These inspections provide assurance that shell eggs supplied to consumers met the requirements of the EPIA.

Under the residue monitoring and surveillance programs, egg products were tested for various industrial and environmental chemicals. During FY 1992, 278 samples were analyzed for a variety of chlorinated hydrocarbons. There were no violative residues found in any of the samples analyzed. Also, in FY 1992, 2,870 samples were analyzed for Listeria monocytogenes. Out of a total of 3,328 samples to examine Listeria, 42 samples were found positive for Listeria monocytogenes, 609 samples positive for Listeria innocua, 10 samples positive for Listeria murrayi (and 2,667 samples negative for Listeria). Of the 42 positive samples, 40 were unpasteurized egg products samples and 2 were pasteurized egg products samples.

The problem of Salmonella enteritidis (Se) in shell eggs continued as a serious human health issue during FY 1992. The mechanism for the transmission of the organism into the egg is believed to be transovarian but there is limited scientific information available on the subject. A task force of USDA and FDA officials continue to work on this issue. Where requested, and with the flock owners' concurrence, AMS is cooperating with USDA's APHIS and applicable State agencies to control the movement of eggs from infected flocks, once identified, to processing establishments for pasteurization rather than to fresh egg markets. Under authority of the Egg Products Inspection Act, USDA assures these shell eggs are processed into egg products and pasteurized to destroy viable Salmonella organisms. The FDA has issued a model code interpretation for handling of eggs in retail establishments. USDA continues to conduct research looking at several facets of the Se problem.

In FY 1992, the Recognized Laboratory Program certified 55 laboratories. The program recognized laboratories which passed an on-site audit of their Salmonella methodology, quality control, and recordkeeping systems. In addition, each laboratory had to demonstrate testing proficiency by correctly analyzing a set of initial qualification samples. In order to determine each laboratory's continued proficiency for Salmonella testing of egg products, check sample and split sample programs were utilized.

Fees and Charges in Effect:

<u>Service Performed</u>	<u>FY 1992 Hourly Fees</u>
Overtime Inspection	\$21.68
Holiday Inspection	\$16.04

2. Grading and Standardization:

a. Cotton Classing:

AMS provided cotton classification of over 16 million bales of cotton under the grower classing program in FY 1992, the largest volume classed since the program's inception in 1927. For the first time, all cotton was classed by the High Volume Instrument (HVI) method, which is capable of measuring a greater number of quality factors.

Classification data was provided via telecommunications systems to a majority of the producers or their agents. AMS also established a central database of current and prior year classification data for electronic access by subsequent owners of cotton, primarily merchants and manufacturers.

AMS implemented a module/trailor averaging pilot program to increase the accuracy and repeatability of HVI measurements. Producers of 1.3 million bales participated in this successful project, which will be expanded in FY 1993.

Fees and Charges in Effect:

<u>Service Performed</u>	<u>FY 1992 Fees a/</u>
Cotton Grading	\$1.92 per sample for HVI classing

a/ Five cent per sample discount if producers are billed through voluntary central agents (e.g., cotton gins and warehouses).

b. Tobacco Grading:

Approximately 97 percent (1.7 billion pounds) of all tobacco domestically produced in FY 1992 was graded by Federal tobacco inspectors and sold at auction markets. In addition, about 134 million pounds of tobacco pledged as collateral by growers under the Commodity Credit Corporation loan program were reinspected by AMS.

The Dairy and Tobacco Adjustment Act of 1983 requires that all tobacco (except cigar and oriental types) imported into the United States be inspected to ascertain the type and quality of imported tobacco. The imported tobacco inspection program was initiated in 1984. In 1992 it was converted to the metric system. During FY 1992, approximately 170 million kilograms of imported tobacco were inspected. The imported tobacco pesticide testing and certification program was initiated in 1986. This program required that all flue-cured and burley tobacco offered for importation into the United States be free of prohibited pesticides. A total of 167 million kilograms of imported flue-cured and burley tobacco was tested during FY 1992.

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Fees and Charges in Effect:

<u>Service Performed</u>	<u>FY 1992 Fees</u>
Permissive Inspection	Regular time \$32.40 hour
	Overtime \$38.70 per hour
	Sundays and Holidays \$48.45 per hour
Tobacco Grading	\$.70 per hundred pounds
Imported Tobacco Grading	\$.99 per hundred kilograms
Imported Tobacco Pesticide Testing and Certification:	
A. Self-Certification (If importer certifies that tobacco is within pesticide residue tolerance)	\$.77 per hundred kilograms
B. Non-Certification (If importer does not certify that the tobacco is within pesticide residue tolerance)	\$1.54 per hundred kilograms
Permissive Certification of Export Tobacco	\$.25 per hundred pounds

c. Poultry and Egg Grading:

Approximately 95 percent of poultry grading services are provided on a resident basis. In most of these instances, a full-time grader is stationed at the plant requesting service. The remaining 5 percent of poultry grading services are provided on a nonresident (lot grading) basis. During FY 1992, resident service was provided in 172 poultry plants and 168 shell egg plants. A total of 15.4 billion pounds of poultry and 1.4 billion dozen shell eggs were graded during the year. This represents 78 percent of the turkeys slaughtered, 59 percent of the broilers slaughtered, and 36 percent of the shell eggs produced in the U.S., excluding eggs used for breaking and hatching.

Fees and Charges in Effect:

<u>Service Performed</u>	<u>FY 1992 Hourly Fees</u>
Non-Resident Plant:	
Voluntary Grading:	
Regular Time	\$28.64
Saturday, Sunday, Holiday	\$29.68
Resident Plant	\$21.97-\$29.99 *

* Depending on the volume of product handled in the plant.

d. Meat Grading and Certification:

During FY 1992, meat grading and certification services were provided to approximately 400 meat packing, processing, and other food establishments nationwide. A total of 17.6 billion pounds of red meat (beef, lamb, veal, and calf) was graded during the year. This figure represents 94.0 percent of the steers and heifers, 91.6 percent of the lamb, and 15.8 percent of the calves commercially slaughtered in the U.S. This is a 500 million pound increase in meat graded over FY 1991, and results primarily from the increasing consumer acceptance of beef from the Select grade and emphasis on yield grading by industry to control their inventory. An additional 2.1

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billion pounds of meat and meat products were certified for compliance with contract specifications for the Department of Defense, Federal school lunch programs, exports, and other large volume meat purchasers such as State and local governments.

Fees and Charges in Effect:

<u>Service Performed</u>	<u>FY 1992 Hourly Fees</u>
Commitment Base Grading	\$34.00
Non-commitment Base Grading	\$36.40
Overtime Grading	\$42.00
Holiday Grading	\$68.00

e. Livestock Grading:

In FY 1992, AMS inspected and graded, according to contract specifications, approximately 65 million pounds of livestock delivered to settle futures contracts for the Chicago Mercantile Exchange and the Mid-America Commodity Exchange.

Fees and Charges in Effect:

<u>Service Performed</u>	<u>FY 1992 Hourly Fees</u>
Base Grading	\$29.40
Overtime Grading	\$32.80
Holiday Grading	\$58.00

f. Processed Fruit and Vegetable Grading:

In FY 1992, 9.5 billion pounds of processed fruits and vegetables were graded at 339 processed products plants. Also during the year, AMS successfully implemented a quality compliance program for Orange Juice for Manufacturing for deliveries on futures contracts. To improve efficiency in response to changing workload resulting from processing plant closings, AMS closed the San Jose, CA field office and divided its remaining responsibilities between the Stockton and Fresno, CA field offices.

Fees and Charges in Effect:

<u>Service Performed</u>	<u>Base</u>	<u>FY 1992 Hourly Fees</u>	
		<u>Holiday</u>	<u>Overtime</u>
Lot Inspection	\$34.50	\$69.00	\$51.75
Yearly Contract (in-plant)	\$29.00	\$58.00	\$43.50
Requested Additional Graders (in-plant)	\$34.50	\$69.00	\$51.75
Seasonal Contract (in-plant)	\$34.50	\$69.00	\$51.75

g. Fresh Fruit and Vegetable Grading:

Grading services for fresh fruits and vegetables are available at shipping points and in receiving markets anywhere in the U.S. and in Puerto Rico. In FY 1992, approximately 81.7 billion pounds of fresh fruits, vegetables, and specialty crops were graded. This grading was accomplished by AMS with the assistance of approximately 5,500 Federally-supervised and licensed State employees. AMS began issuing the redesigned official grading certificates to reduce the number of different certificates used at receiving markets and to permit capture of program data into a planned national database. Development and testing of the database, which will enhance the technical and administrative management of the inspection program, is 90% complete.

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Fees and Charges in Effect:

<u>Service Performed</u>	<u>FY 1992 Fees</u>	
Quality and Condition Inspections	\$52.00	Half-carlot or less
	\$62.00	More than half-carlot up to full-carlot
	\$10.00	Each additional lot
Condition Only Inspections	\$47.00	Half-carlot or less
	\$52.00	More than half-carlot up to full-carlot
	\$10.00	Each additional lot
Five or More Products From the Same Truck or Railcar:	\$220.00	First five products
	\$10.00	Each additional product or lot
Quality and/or Condition Inspection From Ships at Dockside: (per package)	\$.01	Packages less than 15 lbs
	\$.02	Packages 15-29 lbs
	\$.03	Packages 30 lbs or more
	\$62.00	Minimum per product
Government and Other Inspections:	\$31.00	Per hour (1/2 hr. minimum)
	\$15.50	Per hour additional to other charges

h. Dairy Products Grading:

Dairy products grading, laboratory analysis, and plant inspections assure purity and quality of dairy products. An AMS grade is required on all products sold to the Commodity Credit Corporation under the dairy price support program. Upon request, AMS also performs grading work for processors with respect to products sold in commercial channels. In FY 1992 AMS graded approximately 1.5 billion pounds of dairy products, and conducted approximately 1,100 dairy plant inspections to assure sanitation of processing facilities.

Fees and Charges in Effect:

<u>Service Performed</u>	<u>FY 1992 Hourly Fees</u>
Continuous Resident Service	\$41.60
Product Grading	\$44.60
Night Differential Product Grading	\$51.40
Holiday, Saturday, Sunday	\$66.90

i. Standardization:

Domestic and international standards are developed for use in grading, acceptance and certification services for poultry, eggs, meat, dairy products, fresh and processed fruits and vegetables, cotton, tobacco, naval stores, wool, mohair, and livestock. In FY 1992, 39 standards were revised, including 34 for cotton products, 2 for fresh and 1 for processed fruit and vegetable products, and 2 for meat.

In FY 1992, AMS worked closely with the United Nations Economic Commission for Europe (ECE) to develop an international pork standard. The United States involvement in the development of this standard ensures that the

requirements are consistent with U.S. production practices. The initial porcine standard was drafted in early FY 1992 and approved by the committee in May. The standard will be presented to the United Nations in early FY 1993 for approval as a UN-recommended standard.

During FY 1992, AMS participated in meetings of the Organization of Economic Cooperation and Development (OECD) Fruit and Vegetable Scheme and the United Nations/Economic Commission for Europe (UN/ECE) Group of Experts. As a member of the Group of Experts on Coordination of Standardization of Fresh Fruit and Vegetables, AMS offers technical advice on the development or revisions of grade standards for fresh fruits and vegetables moving in international trade. As a participant in the Fresh Fruit and Vegetable Scheme, AMS offers technical advice on UN/ECE explanatory brochures which interpret fruit and vegetable grade standards for use as inspection aids.

Beginning January 1, 1993, minimum quality standards will be imposed by the European Community (EC) on producers, including imports from the U.S. Current EC grade standards are nearly identical to UN/ECE grade standards. By attending the UN/ECE Group of Experts and the OECD meetings, the U.S. can have a part in the development, revision or interpretation of any grade standard or explanatory brochure developed by these groups. AMS attendance will assist in precluding the development of standards which could prove to be non-tariff barriers to U.S. products.

MARKET PROTECTION AND PROMOTION

Current Activities:

AMS administers several laws under this activity, including the Agricultural Marketing Act of 1946; the Food, Agriculture, Conservation, and Trade Act of 1990; the Federal Seed Act; the Plant Variety Protection Act; research and promotion acts for beef, cotton, dairy products, eggs and egg products, honey, pork, watermelon, pecans, mushrooms, limes, and potatoes; the Export Apple and Pear Act; and the Export Grape and Plum Act. These laws regulate various marketing activities and the administration of each includes one or more of the following: collection of pesticide residue data and record keeping; issuance, suspension or revocation of licenses or registration; collection and testing of seed samples; audits of books and records; investigation of complaints and violations; settlement of disputes; and legal protection to developers of new varieties of plants which reproduce sexually.

Selected Examples of Recent Progress:

1. Pesticide Recordkeeping Program

The Food, Agriculture, Conservation, and Trade Act (FACT) of 1990 (Subtitle H, Sect. 1491) states that the Secretary of Agriculture, in consultation with the Administrator of the Environmental Protection Agency (EPA), shall require certified applicators of restricted use pesticides to maintain records comparable to records maintained by commercial applicators of pesticides in each State. The Secretary of Agriculture and the Administrator of EPA shall survey the records required by the statute to develop and maintain a data base that is sufficient to enable USDA and EPA to publish annual comprehensive reports concerning agricultural and nonagricultural pesticide use.

AMS published the proposed regulation in the Federal Register on May 12, 1992 with a public comment period ending on August 10, 1992. The proposed regulation is being revised to reflect public comments received. The final pesticide recordkeeping regulation will be published in the spring of 1993.

In preparation for program implementation, AMS has entered into six pilot projects with State Departments of Agriculture (Florida, Washington, Arizona, Pennsylvania, Vermont, and West Virginia) to collect uniform information on a

variety of agricultural applicators. These States were specifically selected because applicator record requirements existed under state statutory authority.

In addition AMS requested USDA Extension Service to develop educational program materials (video and slides) and informational fact sheets and brochures on the pesticide recordkeeping program. A national educational program for private certified pesticide applicators is planned for FY 1993.

2. Pesticide Data Program:

In FY 1992, AMS continued the expansion of the Pesticide Data Program (PDP) to collect and analyze samples for detecting pesticide residues in selected commodities in the Nation's food supply. Late in FY 1992, three additional States: Colorado, North Carolina, and Ohio agreed to participate in PDP, joining the six major agricultural and population States of California, Florida, Michigan, New York, Texas, and Washington already selected for the program. The data generated will be used by the Environmental Protection Agency (EPA) for risk assessment studies.

Planning and program direction is guided by the Memorandum of Understanding between USDA, EPA, and the Food and Drug Administration (FDA), with oversight provided by the Executive Steering Committee. The first meeting of the committee will take place on November 13, 1992. Previously, interagency groups sanctioned the commodities for testing, data reporting criteria, and agreed on a sample collection system, a rigorous quality assurance program, and quarterly program plans.

The 7 commodities in the program (apples, bananas, grapes, grapefruit, lettuce, oranges, and potatoes) were increased to 10 in February 1992 with the addition of celery, green beans, and peaches, and increased to 12 in October 1992 with the addition of broccoli and carrots.

At the start of FY 1993, 16 pesticides covering 86 pesticide/commodity pairs were included in the program. All benomyl and selected acid herbicide analyses are performed by the Animal and Plant Health Inspection Service Laboratory in Gulfport, Mississippi. The technology employed currently detects over 50 different pesticides with potential to determine many others.

In March 1992, the 1991 Calendar Year report was issued for the almost 2,000 samples collected and analyzed. In FY 1992, 5100 samples were collected. All samples were subjected to chlorinated and organophosphate analyses, 780 samples were designated for benomyl analysis, and 655 samples for acid herbicide analyses.

An agreement was signed with the National Agricultural Statistics Service to modify the present sample collection system to provide improved statistical reliability.

3. Federal Seed Program:

a. Federal Seed Act:

AMS has cooperative agreements with each State to regulate interstate commerce of agricultural and vegetable seeds with regard to labeling. Under these agreements, the States refer apparent violations of the Federal Seed Act to AMS for verification and appropriate action. In cooperation with State agencies, AMS conducted field tests on over 3,257 samples at seven different locations to determine trueness-to-variety of seed in interstate commerce. In FY 1992, 454 new complaints were received from 27 States. Sixty-six Federal Seed Act cases were settled administratively during FY 1992 with penalty assessments totaling \$17,950. The penalty assessments ranged from \$300 to \$4,500.

To promote uniformity in testing inspection, AMS conducted one regional Seed Analyst Workshop and two Seed Inspector Workshops.

b. Agricultural Marketing Act:

AMS offers seed inspection and certification services to interested parties for a fee. Most of the users of this service are exporters of seed. During FY 1992, over 2,000 sample seed analysis certificates were issued.

4. Plant Variety Protection Act:

The Plant Variety Protection Act (PVPA) is a voluntary program providing legal protection to developers of new varieties of plants which reproduce sexually. Protection under the Act is currently given to varieties of approximately 100 species of plants. Each developer of a new variety is assessed a fee of \$2,400 to cover the cost of filing, searching, issuing, maintaining plant variety protection certificates, as well as informing the public.

A total of 285 applications for protection of new varieties of seed were received in FY 1992. A total of 582 applications, including some from previous years, were pending action at the end of FY 1992. Searches were conducted on 356 applications to determine whether the plant constituted a new variety and 325 certificates of protection were issued. A total of 2,622 certificates were in force at the end of FY 1992. Protection expired on 88 varieties during 1992.

5. Research and Promotion Programs:

AMS provides oversight and direction to a number of industry-funded research and promotion programs. Industry research and promotion boards collect assessments from producers, and sometimes importers and handlers, to carry out programs aimed at strengthening the demand for and improving the quality of beef, cotton, dairy products, eggs and egg products, honey, pecans, pork, potatoes, soybeans, and watermelons. Similar programs for limes and mushrooms are expected to be operational during FY 1993.

It is the responsibility of AMS to review and approve the budgets and projects proposed by the boards. The industry reimburses AMS for the costs of administrative oversight activities. In 1990, the Farm Bill authorized research and promotion programs for pecans, mushrooms, limes, soybeans, and processor-funded milk promotion. To date, the soybean and pecan programs have been implemented. The mushroom program will be implemented in FY 1993, and the lime program is on hold pending a technical amendment to the Act. The Department has received a proposed order for a processor-funded fluid milk promotion program.

A Cotton Research and Promotion assessment on imported cotton and the cotton content of imported products was implemented in August 1992. Collections on imports are expected to generate approximately \$12 million annually. At the same time, an industry-initiated reduction in the assessment rate and a lower average price for cotton are expected to reduce overall collections in FY 1992. The net effect is an expected increase of only \$4 million.

The Beef Promotion and Research Act of 1985 authorized the establishment, financing, and operation of a national beef promotion and research program. The Beef Promotion and Research Order, which promotes increased consumption of beef in the United States as well as in foreign countries, became effective in July 1986. In 1992 about \$7 million of the \$78 million in assessments were collected from importers. The National Beef Promotion and Research program received \$43 million of the assessments while qualified State beef council programs received the remaining \$35 million.

The Pork Promotion, Research, and Consumer Information Act of 1985 authorized the establishment of a national industry-funded and operated pork promotion program. The Pork Promotion, Research, and Consumer Information Order, which

strengthens the position of pork in the marketplace as well as in foreign markets, became effective in September 1986. Approximately \$2 million of the \$37 million assessments collected in 1992 were from importers.

The Soybean Promotion, Research, and Consumer Information Act of 1990 authorizes a national industry-funded promotion and research program for soybeans and soybean products. An Order implementing the legislation was issued by the Secretary of Agriculture on July 9, 1991. Collection of assessments began September 1, 1991. Total assessments generated under the Act are estimated to be \$50 million annually. The State boards retain half of the funds collected to fund State initiated programs, while the remaining half of the funds are provided to the United Soybean Board. After refunds are paid, the United Soybean Board has an annual net income of about \$20 million, with the states retaining a like amount. As required under the Act, the U.S. Department of Agriculture will conduct a referendum among soybean producers 18 to 36 months after the July 9, 1991 implementation date to determine if producers want the program to continue. Producers may obtain full refunds of assessments prior to the referendum's outcome.

The Honey Research, Promotion and Consumer Information Act of 1984, as amended, authorizes a program to strengthen the demand for honey in the marketplace. The Order, issued by the Secretary of Agriculture on July 21, 1986, provided for the establishment of the National Honey Board. Producers and importers may apply for an exemption from paying assessments if they produce less than 6,000 pounds of honey per year and such honey is distributed directly to retail outlets. A producer or importer who consumes honey at home or donates it, rather than sells it, may also apply for an exemption. Refund provisions were terminated during FY 1992, as approved in an August 1991 referendum of producers and importers. In FY 1992, the Board received approximately \$3 million in assessments and refunded \$366,573. Food safety research has become a focal point of the Board's projects in order to assure consumers that honey is a wholesome food.

The Egg Research and Consumer Information Act, as amended, authorizes the collection of non-refundable assessments to finance research, promotion, and education activities. During FY 1992, egg producers paid assessments totaling approximately \$7.7 million at 5 cents per 30-dozen case of commercial eggs. Projects related to food safety in food service and high-risk health care institutions, as well as retail establishments were given high priority. Six research studies were funded to determine the effect of egg consumption on serum cholesterol levels. In addition, an advertising test market project was instituted and television commercials approved to be run in four cities for one year. In each city, an independent research company will measure changes in consumers' awareness of advertising and attitudes towards eggs. Actual sales also will be monitored. Other programs focused on nutrition education and promotion of egg products and spent fowl for schools.

The Dairy and Tobacco Adjustment Act of 1983 authorized a national program for dairy product promotion, research, and nutrition education as part of a comprehensive strategy to reduce milk supplies and increase consumption of milk and dairy products. Approximately 90 percent of the dairy farmers who voted in the referendum favored support of this program. This program is funded by a mandatory 15-cent per hundredweight assessment on all milk produced and marketed commercially in the contiguous 48 states. The program is administered by a National Dairy Promotion and Research Board. The Board's revenue from producer assessments in FY 1992 was \$75.6 million of the approximately \$215 million collected. The remainder of the funds collected are utilized by qualified State and regional promotion, research, or nutrition education programs. In an effort to expand export sales of dairy products, the Board has signed an agreement with USDA's Foreign Agricultural Service which enables the Board to receive funds for marketing and promotion activities in global markets. The export program targets the Pacific Rim countries and Mexico as the first area for marketing and promotion of value-added dairy products. USDA is required to submit to Congress an annual report describing activities conducted under the Dairy Promotion and

Research Order; accounting of funds collected and spent, and an independent analysis of the effectiveness of the program. The most recent report was submitted on July 1, 1992.

Since its establishment in 1972, the National Potato Promotion Board, as authorized by the Potato Research and Promotion Act of 1971, has successfully carried out a coordinated program of research, development, advertising, and promotion. In FY 1992, the Board collected \$6.2 million in assessment revenue. The 1990 Farm Bill amended the Act to authorize the elimination of refunds of assessments and the implementation of assessments on imported potatoes, processed potato products, and seed potatoes. Provisions for refunds of assessments were terminated in August 1991. Therefore, refunds in FY 1992 were only \$200,000. Assessments on imports began in November 1992. The elimination of refund provisions made an additional \$1 million available to the Board to promote potato consumption. Assessing imported potatoes, processed potato products, and seed potatoes will add another \$200,000. In cooperation with the Foreign Agricultural Service, the Board promotes potatoes in the Pacific Rim countries. For the Board's marketing year (April 1992 to March 1993), it received \$5.6 million in FAS funds to operate its export marketing plan. The Board's current domestic promotion program aims to convince consumers to serve potatoes at home more often. The program will also continue to reinforce the themes of nutrition and convenience that have been successful in changing consumers' attitudes about potatoes over the past years.

The Watermelon Research and Promotion Act authorizes the establishment of an effective, continuous, and coordinated program of research, development, advertising, and promotion of watermelon. This Act is designed to strengthen the watermelon's competitive position in the marketplace, and to establish, maintain, and expand domestic and foreign markets for watermelons produced in the United States. The Watermelon Research and Promotion Plan was issued in June 1989, and full implementation of the Plan began in March 1990. Both producers and handlers are assessed under this program. For FY 1992, the Board is expected to report approximately \$825,000 in assessments, and refunds of approximately \$157,000. The Board is aggressively pursuing its food service, retailer, and public relations programs.

The Pecan Promotion and Research Act of 1990 authorized the establishment of a coordinated national program for generic pecan promotion, research, industry and consumer information. This Act is designed to maintain and expand existing domestic and foreign markets and develop new markets for pecans. The Pecan Promotion and Research Plan became effective on May 1, 1992. The initial Pecan Marketing Board met in August 1992. Its recommended FY 1993 budget and the assessment rate of one-half cent per pound of in-shell pecans have been approved. The Board estimates it will collect \$1.1 million in assessments during its fiscal year ending September 30, 1993, and plans to meet in February to hire a permanent executive director and recommend a research and marketing plan.

The Lime Research, Promotion, and Consumer Information Act of 1990 authorizes the establishment of an effective, continuous and coordinated national program for limes. The Act is designed to strengthen the position of the lime industry in domestic and foreign markets, and maintain, develop and expand markets for limes. The Act authorizes a maximum assessment rate of one cent per pound on limes produced domestically or imported into the United States. However, producers and importers who produce or import less than 35,000 pounds of limes per year are exempt. The first handler is responsible for collecting the assessment from the producer and remitting it to the Board. Importers pay the assessment when limes enter the United States. The Lime Research, Promotion, and Consumer Information Order became effective on January 27, 1992. The first Lime Board met in October 1990 to consider a budget and an assessment rate. However, the program is currently on hold pending a technical amendment to the Act regarding the variety of limes to be covered by the program.

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	FY 1992	
	Assessments Collected	Refunds to Producers
	(Millions of Dollars)	
Beef	\$42.9	\$0.0
Pork	36.7	0.0
Cotton	44.7	.4
Egg	7.7	0.0
Honey	3.0	0.4
Potatoes	6.2	.2
Dairy	75.6	0.0
Watermelon	0.8	0.1
Soybeans	25.0	5.0

TRANSPORTATION SERVICES

Current Activities:

The Transportation Services program promotes and assists in the development of an efficient agricultural transportation system to help improve farm income, expand exports, and meet the transportation needs of rural America. AMS provides assistance to State and local decision-makers and to farmers and shippers in regulatory, policy, and legislative matters. To accomplish this, AMS conducts technological research, as well as economic studies and analyses of domestic and international transportation systems. Also, AMS provides technical assistance and information on agricultural transportation, rural access, and food distribution matters to producers, producer groups, shippers, rural communities, carriers, government agencies, and universities.

Selected Examples of Recent Progress:

1. Rural Community Transportation Leadership

To support local governments' efforts in transportation development, AMS has initiated a rural community transportation leadership program to enable rural communities to address their transportation needs. AMS is working with several universities and the Minnesota Department of Transportation to design materials and develop distribution networks to ensure rural access to technical materials on rural roads and bridges, rail service, and passenger transportation. AMS will conduct eight regional workshops to inform rural people about the International Surface Transportation Efficiency Act (ISTEA) to ensure that agricultural and rural transportation planning concerns will be considered in the State planning process. ISTEA provides States greater flexibility and responsibility to shape their transportation systems.

2. U.S.-Mexico Transportation Issues

AMS is working with California State University at Fresno to gather and analyze data regarding the flow of cross-border traffic in fresh tomatoes, processed tomato products, and deciduous fruit between California and Mexico. AMS participated in the negotiation of the transportation issues in the North American Free Trade Agreement (NAFTA) and supplied technical expertise to the U.S. Department of Transportation concerning the impact of the NAFTA transportation provisions on agricultural trade between the United States and

Mexico. AMS represented the Department of Agriculture at meetings of the U.S.-Mexico Transportation Working Group, which meets every 6 months to discuss bilateral transportation issues. The success of the current land transportation negotiations under the NAFTA are largely attributed to the groundwork established through these bilateral discussions.

3. Export Transportation Workshops

AMS has organized workshops to provide first-time exporters with an understanding of the international transportation system and how it affects product marketing, cost, and quality. Workshop topics include ocean and air freight rates and services, cargo insurance, product handling, port operations, and transport documentation. The first workshops were held in California, Oregon, Nebraska, Iowa, and Florida. AMS also developed an educational program to promote the importance of proper handling and transportation of livestock shipped to overseas markets. The program includes a livestock transport directory, a series of livestock handling workshops, and production of a video on livestock handling procedures. The directory has been completed, and the first workshop was held in Kansas City in August 1992. Another workshop is planned for Denver, CO, in June 1993.

4. International Issues

At the request of the Foreign Agriculture Service and the Office of International Cooperation and Development, AMS provided transportation and marketing seminars in Peru and Ecuador in late 1991, and a seminar in Venezuela in November 1992.

AMS provided private sector and AMS technical teams to Poland, Bulgaria, Czech and Slovak Republics, Ukraine, and Russia. These teams assessed markets for U.S. products and laid the groundwork for future U.S. assistance in transportation, storage, post-harvest handling, distribution, wholesale marketing, commodity exchanges, grades and standards, and market news. AMS also worked with the Office of International Cooperation and Development to train visitors from these countries. Additionally, AMS assisted agricultural exporters on transportation concerns. AMS receives frequent calls, letters, and visits from exporters or trade associations requesting assistance with an array of problems relating to transportation rates, services, regulations, or product handling.

A report titled, "Soviet Agricultural Transportation: A Statistical Summary," was released in draft form in January 1992 and was well received. Since the draft was distributed, AMS has incorporated additional comments, data, and information to greatly enhance this report. A revised final report has been distributed.

A computerized data base of ocean freight rates for bulk grain shipments has been developed. This weekly data is used by the industry to monitor trends in ocean freight costs for U.S. and foreign origin grain shipments. Quarterly rate summaries are distributed to exporters, ports and Federal agencies. In addition, we are preparing a report analyzing long-term trends in ocean shipping costs. The report will compare rates being paid by U.S. exporters with rates paid by competitors in Argentina, Australia, and Europe.

AMS is responsible for implementing the International Carriage of Perishable Foodstuffs (ATP) Agreements in the United States and representing U.S. interests at annual meetings of the United Nations Economic Commission for Europe Working Party on the Transport of Perishable Foodstuff. The ATP certification is voluntary in the United States and mandatory in Europe. The ATP requires that transport equipment used to move perishables between countries be inspected, tested, certified, and marked to ensure that the equipment is properly insulated and capable of maintaining a prescribed temperature. The ATP program has been used primarily by U.S. trailer and

mechanical refrigeration manufacturers who export equipment to Europe. This past year AMS certified 83 trailers for export goods worth \$4.6 million.

AMS is analyzing the impact of Canadian rail subsidies enacted in 1986 for hay, dry pea, and lentil exports. Industry officials in the United States contend that these subsidies have had a very detrimental impact on U.S. market share in Asian markets and they have filed a formal complaint with the International Trade Commission.

AMS provided technical assistance on the distribution of Department of Agriculture humanitarian aid in Russia during the summer of 1992. The Agency worked with private volunteer agencies, carriers, and members of the Russian government to improve the exchange of information and the logistics of food distribution.

WHOLESALE MARKET DEVELOPMENT

Current Activities:

The Wholesale Market Development Program promotes improvement of wholesale and farmers' market facilities and conducts other specialized research to improve the efficiency of the marketing system and help hold down the cost of marketing and the spread between farm and consumer prices.

Selected Examples of Recent Progress:

Wholesale Food Center Study in Chicago, IL

AMS has conducted a major study of produce and related wholesale facilities in downtown Chicago. The city has requested that AMS study the need for replacing existing marketing facilities in the South Water, Randolph, and Fulton Street Markets, and help plan new facilities. The study identifies value-adding operations that the food firms locating on new marketing facilities might undertake. Initial results of the study indicate that produce and other selected firms handle over \$1 billion in products annually and that firms needing to relocate will each require over 500 square feet of new warehouse and processing space. AMS has extended the scope of the study to include meat, poultry, fish, frozen food, other food-related distributors and processors, and flower wholesalers.

South Carolina Study

AMS, in cooperation with the South Carolina Department of Agriculture is assessing the feasibility of developing revitalized farmers' market facilities in Columbia, South Carolina, as part of a larger scale development of an agribusiness center to serve the State and region. All survey work, initial design, and recommendations have been completed. Potential areas of extended study include feasibility and design efforts associated with a completed agribusiness development to serve the south-central region of the United States.

Toledo, Ohio, Marketing Facility Study

Changing land use and consumer buying patterns have placed severe pressure on existing farmers' market facilities in Toledo. Survey work has been completed for planning a revitalized farmers' market complex in downtown Toledo. The new market would replace antiquated facilities and provide a continuing environment for effective direct marketing between regional agricultural producers, local consumers, and wholesale buyers. Work continues on the project with conceptual designs for new facilities. AMS will perform a cost/benefit analysis to assess various alternative market site developments.

Maine Marketing Facility Study

A preliminary design has been developed for a multi-purpose center to support agricultural trade, wholesale activity, initial processing, and other activities in Maine. Additional surveys will be used to develop specific requirements.

International Studies

Wholesale center demonstration, evaluation, and conceptual design studies are planned in the Czech and Slovak Republics and Poland. These studies will provide a technical focus for developing modern marketing facilities in the countries' major cities. Such a center could include a combined wholesale/farmers' market/specialized auction at a single location.

To assist former Soviet Union agribusiness and government officials, survey teams of private and public sector representatives will be formed to gather data regarding market news, grades and standards, trading practices, and the government role in product marketing. Assessments will be needed in a number of locations to evaluate current marketing practices.

AMS is planning additional Cochran Fellowship training programs in food marketing to assist various Eastern Europe and former Soviet Union states in the transition from a state and collective farm system to one that supports the development of private agriculture. The proposal would bring many Eastern European and former Soviet agricultural leaders to the United States to strengthen their understanding of the functioning of a private agricultural marketing system.

AGRICULTURAL MARKETING SERVICE

The estimates include appropriation language for this item as follows
(new language underscored: deleted matter enclosed in brackets):

Payments to States and Possessions:

For payments to departments of agriculture, bureaus
and departments of markets, and similar agencies for
marketing activities under section 204(b) of the
Agricultural Marketing Act of 1946 (7 U.S.C. 1623(b)),
\$1,250,000.

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PAYMENTS TO STATES AND POSSESSIONS

Appropriation Act, 1993	\$1,250,000
Budget Estimate, 1994	<u>1,250,000</u>
Change in Appropriation	<u>--</u>

PROJECT STATEMENT

(On basis of appropriation)

	: : 1992 : Actual	: : 1993 : Estimated	: Increase: : or : Decrease	: : 1994 : Estimated
Payments for marketing service work under Section 204(b) of the Agricultural Marketing Act of 1946	: : :\$1,250,000	: : :\$1,250,000	: : :--	: : :\$1,250,000
Total, appropriation	: 1,250,000	: 1,250,000	: --	: 1,250,000

EXPLANATION OF PROGRAM

The Federal-State Marketing Improvement Program is authorized by Section 204(b) of the Agricultural Marketing Act of 1946. This legislation also grants the U.S. Department of Agriculture authority to establish cooperative agreements with State Departments of Agriculture or similar State agencies. These agreements make possible joint efforts to improve the efficiency of the agricultural marketing chain. The States perform the work or contract it to others, and must contribute at least half of the cost of the projects.

Payments are made to State marketing agencies to: identify and market test alternative farm commodities; determine methods of providing more reliable market information, and develop better commodity grading standards. This program has covered many types of projects, such as electronic marketing and agricultural product diversification. The general themes of the current projects include the improvement of marketing efficiency and effectiveness, and seeking new outlets for existing farm produced commodities.

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Agricultural Marketing Service
 Payments to States and Possessions
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1992 and Estimated 1993 and 1994

	<u>1992</u>
Arkansas	45,000
California	129,199
Colorado	36,000
Connecticut	75,000
Delaware	14,000
District of Columbia	15,625
Florida	74,000
Idaho	36,000
Indiana	26,000
Iowa	31,687
Louisiana	37,875
Maryland	58,178
Michigan	30,600
Minnesota	65,000
Mississippi	75,000
Missouri	40,000
Nebraska	29,000
New York	42,119
North Carolina	10,000
North Dakota	59,975
Oregon	40,000
Pennsylvania	80,000
Texas	120,824
Virginia	9,918
Washington	55,000
Wisconsin	<u>14,000</u>

Total, Available or
 Estimate a/ \$1,250,000

a/ Distribution of obligations by State not available until projects
 have been selected for funding in 1993 \$1,250,000 and 1994 \$1,250,000.

PAYMENTS TO STATES AND POSSESSIONS

STATUS OF PROGRAM

FEDERAL-STATE MARKETING IMPROVEMENT PROGRAM

Current Activities:

Through grant agreements with State Departments of Agriculture, the Federal-State Marketing Improvement Program supports joint projects aimed at improving the efficiency of the agricultural marketing chain. The States contribute at least half of the cost of such projects. The work is performed by State personnel, employees of land grant or 1890 universities, or is contracted out to private industry.

Selected Examples of Recent Progress:

During FY 1992, 30 projects involving 25 States were approved. In addition to the \$1,234,000 provided by Congress for these projects, the States and other sources contributed over \$1.8 million. Requests were received from 35 States for 6 projects totalling \$3,663,822. Examples of funded projects are as follows:

<u>Federal Funding</u>	<u>Participating States</u>	<u>Project</u>
\$25,000	CALIFORNIA	<u>Organic Industry Information</u> A project to assess market information needs and capabilities of all segments of the organic industry.
\$36,000	COLORADO	<u>Biodegradable Products</u> A project to determine the production and disposal costs for biodegradable replacements of petroleum-based (styrofoam) products.
\$37,875	LOUISIANA	<u>Kenaf Products</u> A project to assess existing and potential market possibilities for kenaf products.
\$40,000	MISSOURI	<u>Electronic Identification of Beef</u> A project to determine the efficiency of electronically identifying beef cattle.
\$40,000	NEBRASKA	<u>Alternative Uses of Beef Tallow</u> A project to determine uses for beef tallow and the implementation strategy for tallow-based biodiesel fuel.

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PERISHABLE AGRICULTURAL COMMODITIES ACT FUND

Appropriations Act, 1993 (from receipts)	\$7,621,000
Budget Estimate, 1994 (from receipts)	<u>7,771,000</u>
Increase in Appropriation	<u>+150,000</u>

SUMMARY OF INCREASES AND DECREASES
(On basis of available funds)

	<u>1993</u> <u>Estimated</u>	<u>Pay Cost</u>	<u>Other</u> <u>Changes</u>	<u>1994</u> <u>Estimated</u>
Licensing dealers and handling complaints ..	\$7,621,000	+\$138,000	+\$12,000	\$7,771,000

PROJECT STATEMENT
(On basis of available funds)

Project	<u>1992 Actual</u> : Amount	<u>Staff-</u> : Years	<u>1993 Estimated</u> : Amount	<u>Staff-</u> : Years	<u>Increase or</u> : Decrease	<u>1994 Estimated</u> : Amount	<u>Staff-</u> : Years
Licensing dealers and handling complaints	\$6,730,807	132	\$7,621,000	135	+\$150,000	\$7,771,000	135
Unobligated balance available: start of period ..	-88,821	--	-1,233,171	--	--	-1,233,171	--
Unobligated balance available: end of period	<u>1,233,171</u>	--	<u>1,233,171</u>	--	--	<u>1,233,171</u>	--
Total available or estimate	<u>7,875,157</u>	<u>132</u>	<u>7,621,000</u>	<u>135</u>	<u>(1)</u> <u>+150,000</u>	<u>7,771,000</u>	<u>135</u>

OBLIGATION LEVELS
(on basis of available funds)

Item	<u>1992</u> <u>Actual</u>	<u>1993</u> <u>Estimated</u>	<u>1994</u> <u>Estimated</u>
Appropriation (from receipts)	\$7,875,157	\$7,621,000	\$7,771,000
Unobligated balance available, start of period	<u>88,821</u>	<u>1,233,171</u>	<u>1,233,171</u>
Total available	<u>7,963,978</u>	<u>8,854,171</u>	<u>9,004,171</u>
Total obligations	<u>-6,730,807</u>	<u>-7,621,000</u>	<u>-7,771,000</u>
Unobligated balance available, end of period	<u>1,233,171</u>	<u>1,233,171</u>	<u>1,233,171</u>

EXPLANATION OF PROGRAMPERISHABLE AGRICULTURAL COMMODITIES ACT

This program is carried out under the Perishable Agricultural Commodities Act and the Produce Agency Act.

These Acts are designed to: (1) protect producers, shippers, distributors and retailers from unfair and fraudulent practices in the marketing of perishable agricultural commodities; and (2) prevent the unwarranted destruction or dumping of farm products handled for others.

Commission merchants, dealers, brokers, and retailers engaged in the business of handling fresh or frozen fruits and vegetables in interstate or foreign commerce must be licensed under the Perishable Agricultural Commodities Act (PACA). Buyers and sellers must fulfill the terms of contractual agreements, and buyers must pay promptly for their purchases.

Traders who have been found in a formal proceeding to have violated the prompt payment provision of this Act are penalized by restrictions on trading in the industry for a specific period of time. When eligible to resume trading, they are required to post surety bonds before resuming operations. False or misleading statements, misbranding, and similar violations are prohibited.

To increase protection and avert financial losses to growers and licensed firms, the Perishable Agricultural Commodities Act was amended in May 1984 to create a statutory trust. This statutory trust provision requires traders to have sufficient assets on hand to meet their obligations to fruit and vegetable suppliers. Sellers of fruits and vegetables who have not been paid are secured under this legislation until full payment is made. These sellers are also secured in the event the buyer files for bankruptcy or becomes insolvent. The amendment also improves the timeliness of payment.

Complaints of violations are investigated and violations resolved through: (1) informal agreements between the two parties; (2) formal decisions involving payment of reparation awards; and/or (3) suspension or revocation of license and/or publication of the facts. Any interested party or group may request AMS assistance in settling disputes under the Perishable Agricultural Commodities Act.

License fees are deposited into a special fund and are used to meet the costs of administering these Acts. The annual PACA license fee is \$400, plus \$200 for every branch or business facility above nine, up to a maximum annual fee of \$4,000.

Perishable Agricultural Commodities Act Workload Data:

<u>Licensing Activities:</u>	<u>1992</u> <u>Actual</u>	<u>1993</u> <u>Estimate</u>	<u>1994</u> <u>Estimate</u>
Licenses renewed	13,225	13,300	13,300
New licenses issued	<u>1,855</u>	<u>1,900</u>	<u>1,900</u>
In effect, end of year	15,080	15,200	15,200

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<u>Actions Completed: *</u>	1992 <u>Actual</u>	1993 <u>Estimate</u>	1994 <u>Estimate</u>
License actions	23,000	23,100	23,150
Reparation actions	48,000	50,000	52,000
Disciplinary actions	317	350	375
Personal investigations	2,800	2,700	2,700
Statutory Trust actions	125,000	140,000	160,000
Misbranding actions	<u>510</u>	<u>550</u>	<u>575</u>
Total Actions	199,627	216,700	238,800

Reparations: (Dollars in Millions)

Awarded - Formal orders	15,344	\$15,600	\$15,900
Payments - Amicable settle- ments	<u>19,600</u>	<u>19,800</u>	<u>20,000</u>
Total Reparations	34,944	35,400	35,900

Statutory Trust:

Notices filed	125,000	140,000	160,000
Refunds to sellers (Dollars in Millions)	673	750	850

* Statutory Trust Notices included in Actions Completed.

JUSTIFICATION OF INCREASES AND DECREASES
Perishable Agricultural Commodities Act

(1) A net increase of \$150,000 for Perishable Agricultural Commodities Act activities consisting of:

- (a) an increase of \$61,000 which reflects a 2.7 percent increase in non-salary costs.
- (b) an increase of \$138,000 which reflects the annualization of the fiscal year 1993 pay raise.
- (c) a decrease of \$49,000 for administrative efficiency.

Need for Change. To promote the efficient use of resources for administrative purposes, in keeping with the President's Executive Order, total USDA baseline outlays for these activities will be reduced by 3 percent in FY 1994, 6 percent in FY 1995, 9 percent in FY 1996 and 14 percent in FY 1997.

Nature of Change. In order to achieve this savings, AMS will carefully monitor travel expenses, supply purchases, printing and reproduction costs, and utility usage.

Agricultural Marketing Service
Perishable Agricultural Commodities Act
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1992 and Estimated 1993 and 1994

	<u>1992</u>		<u>1993</u>		<u>1994</u>	
	<u>Amount</u>	<u>Staff- Years</u>	<u>Amount</u>	<u>Staff- Years</u>	<u>Amount</u>	<u>Staff- Years</u>
Arizona	\$732,984	15	\$830,000	15	\$846,000	15
District of Columbia.	3,348,730	67	3,792,000	68	3,867,000	68
Illinois	583,964	11	661,000	12	674,000	12
New Jersey	671,094	13	760,000	13	775,000	13
Texas	692,047	13	783,000	13	798,000	13
Virginia.....	701,988	13	795,000	14	811,000	14
Total, Available or Estimate	<u>\$6,730,807</u>	<u>132</u>	<u>\$7,621,000</u>	<u>135</u>	<u>\$7,771,000</u>	<u>135</u>

PERISHABLE AGRICULTURAL COMMODITIES ACT

Current Activities:

The Perishable Agricultural Commodities Act (PACA) and the Produce Agency Act (PAA), both funded by annual license fees, are designed to: (1) protect producers, shippers, distributors, and retailers from loss due to unfair and fraudulent practices in the marketing of perishable agricultural commodities; and (2) prevent the unwarranted destruction or dumping of farm products handled for and on behalf of others.

Commission merchants, dealers, and brokers handling fresh and frozen fruits and vegetables in interstate and foreign commerce require a PACA license. Violations of the Act are investigated and can result in: (1) informal agreements between the two parties; (2) formal decisions involving payments to injured parties; or (3) suspension or revocation of licenses and/or publication of the facts.

Selected Examples of Recent Progress:1. Perishable Agricultural Commodities Act:A. Operations Improvements:

The program received approximately 125,000 trust notices in FY 1992, a 20% increase over FY 1991. Despite the increased workload, the PACA program was able to process these notices without increased resources by enhancing its automated trust programs and procedures.

Added emphasis on licensing enforcement increased FY 1992 revenue by nearly \$300,000 over the estimated \$7.1 million. The PACA program also developed and put into place, a lockbox account in Chicago, Illinois for direct mailing of license renewal fees. Tighter fiscal controls along with the increased revenue allowed the program to continue to operate without a fee increase.

In addition, the program reduced the amount of time required to review and serve formal complaints from four months to less than one month.

B. Informal Reparation Complaints:

During FY 1992, an estimated 39,000 inquiries were received from the produce industry seeking advice concerning disputes. AMS assistance enabled many traders to avoid marketing problems which could have resulted in the filing of complaints under this law.

There were over 4,000 new reparation cases filed in FY 1992. These cases resulted in informal settlements of approximately \$19.6 million to PACA licensees and unlicensed growers.

C. Trust legislation:

Trust notices are filed by unpaid sellers under the statutory trust provisions of the PACA. In the event a buyer files for bankruptcy or becomes insolvent, this provision places sellers of fruits and vegetables in a secured position and also improves the timeliness of payments. Over \$673 million had been returned to these claimants during FY 1992.

D. Formal Reparation Complaints:

In FY 1992, there were 1,217 decisions and orders issued by USDA's Judicial Officer. Reparations amounting to \$15.3 million were awarded in 982 of the decisions.

AGRICULTURAL MARKETING SERVICE

The estimates include proposed changes in the language of this item as follows (new language underscored; deleted matter enclosed in brackets):

Limitation on Administrative Expenses

Not to exceed \$55,953,000 (from fees collected) shall be obligated during the current fiscal year for administrative expenses: Provided, That if crop size is understated and/or other uncontrollable events occur, the Agency may exceed this limitation by up to 10 percent with notification to the Appropriations Committees.

Limitation on Administrative Expenses

Appropriation Act, 1993	\$55,953,000
Budget Estimate, 1994	<u>55,953,000</u>
Change in Limitation	<u>---</u>

PASSENGER MOTOR VEHICLES

The 1994 Budget Estimates propose the purchase of 30 replacements and three additional motor vehicles.

The estimated number of passenger motor vehicles available for 1994 are the minimum necessary to maintain essential services in AMS programs. These cars are used to provide the following necessary services: (1) traveling to places which in most cases are not accessible by common carriers, such as farms, market terminals, offices of product dealers and truckers, processing plants, canneries, stockyards, cotton gins, and compress operators; (2) carrying special grading and testing equipment used for inspecting and grading commodities and for performing other work required under the Agricultural Marketing Act of 1946; U.S. Cotton Standards Act; Cotton Statistics and Estimates Act; Tobacco Inspection Act; and Dairy and Tobacco Adjustment Act; and (3) carrying boxes of cotton standards types used in classing work and demonstration at farmers' meetings.

Additional passenger motor vehicles. Three additional passenger motor vehicles are requested for use in the science division. The implementation of the laboratory accreditation program will require additional vehicles for visiting commercial laboratories across the country.

Replacement of passenger motor vehicles. Replacement of 30 of the 62 vehicles now in operation is proposed. All vehicles proposed to be replaced are expected to have mileage over 60,000 or will be more than six years of age.

The age and mileage data for passenger motor vehicles on hand as of September 30, 1992 are as follows:

Age-Year Model	Age Data		Lifetime Mileage (thousands)	Mileage Data	
	Number of Vehicles	Percent of Total		Number of Vehicles	Percentage of Total
1986 or older	5	8	80-100	10	16
1987	3	5	60-80	21	34
1988	31	50	40-60	11	18
1989	6	10	20-40	11	18
1990	9	14	Under 20	9	14
1991	3	5			
1992	5	8	Total	62	100
Total	62	100			

FUNDS FOR STRENGTHENING MARKETS, INCOME, AND SUPPLY (SECTION 32)

The estimates include appropriations language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Funds For Strengthening Markets, Income and Supply (Section 32):

Funds available under section 32 of the Act of August 24, 1935 (7 U.S.C. 612c) shall be used only for commodity program expenses as authorized therein, and other related operating expenses, except for: (1) transfers to the Department of Commerce as authorized by the Fish and Wildlife Act of August 8, 1956; (2) transfers otherwise provided in this Act; and (3) not more than [\$10,309,000] \$10,670,000 for formulation and administration of Marketing Agreements and Orders pursuant to the Agricultural Marketing Agreement Act of 1937, as amended, and the Agricultural Act of 1961. [In fiscal years 1993 and 1994, section 32 funds shall be used to promote sunflower and cottonseed oil exports to the full extent authorized by section 1541 of Public Law 101-624 (7 U.S.C. 1464 note), and such funds shall be used to facilitate additional sales of such oils in world markets.]

This change deletes language that is not necessary in FY 1994 because the funds are already appropriated.

FUNDS FOR STRENGTHENING MARKETS, INCOME, AND SUPPLY (SECTION 32) -- CURRENT LAW

Permanent Appropriation, 1993	\$4,978,817,276
Less transfers to:	
Department of Commerce to promote and develop fishery products and research pertaining to American fisheries	-61,408,060
Food and Nutrition Service, Child Nutrition Programs	-4,290,455,000
Total transfers	-4,351,863,060
Adjusted Base for 1993	626,954,216
Budget Estimate, 1994:	
Annual permanent appropriation	\$5,282,000,216
Less transfers to:	
Department of Commerce	-61,400,000
Food and Nutrition Service	-4,710,185,000
Total transfers	-4,771,585,000
Budget Estimate, Current Law, 1994	510,415,216
Decrease from adjusted 1993	-116,539,000

SUMMARY OF INCREASES AND DECREASES - CURRENT LAW
(On basis of adjusted appropriation)

<u>Item of Change</u>	<u>1993 Estimated</u>	<u>Pay Cost</u>	<u>Other Changes</u>	<u>1994 Estimated</u>
Commodity Purchases	\$424,100,000	--	-\$24,100,000	\$400,000,000
Disaster Relief	900,000	--	-900,000	--
Sunflowerseed Oil and Cottonseed Oil Purchases ..	50,000,000	--	--	50,000,000
Commodity Purchase Services ..	6,062,000	+\$59,000	-5,000	6,116,000
Marketing Agreements and Orders	10,309,000	+364,000	-3,000	10,670,000
Total Available	491,371,000	+423,000	-25,008,000	466,786,000

PROJECT STATEMENT - CURRENT LAW
(On basis of adjusted appropriation)

<u>Project</u>	<u>1992 Actual</u>		<u>1993 Estimated</u>		<u>Increase or Decrease</u>	<u>1994 Estimated</u>	
	<u>Amount</u>	<u>Staff: Years</u>	<u>Amount</u>	<u>Staff: Years</u>		<u>Amount</u>	<u>Staff: Years</u>
1. <u>Commodity Purchases</u>	:	:	:	:	:	:	:
a. <u>Child Nutrition</u>	:	:	:	:	:	:	:
Program	:	:	:	:	:	:	:
Purchases	\$399,051,173:	--	\$400,000,000:	--	--	400,000,000:	--
b. <u>Emergency Sur-</u>	:	:	:	:	:	:	:
plus Removal	102,928,489:	--	24,100,000:	--	-\$24,100,000(1):	--	--
Subtotal	501,979,662:	--	424,100,000:	--	-24,100,000:	400,000,000:	--
2. <u>Disaster Relief</u> ..	11,175,000:	--	900,000:	--	-900,000(2):	--	--
3. <u>Sunflowerseed Oil & Cottonseed Oil</u>	:	:	:	:	:	:	:
Purchases	50,000,000:	--	50,000,000:	--	--	50,000,000:	--
4. <u>Administrative</u>	:	:	:	:	:	:	:
Funds	:	:	:	:	:	:	:
a. <u>Commodity Purchase</u>	:	:	:	:	:	:	:
Services	5,988,616:	41	6,062,000:	46	+\$4,000	6,116,000:	46
b. <u>Marketing Agree-</u>	:	:	:	:	:	:	:
ments & Orders ..	9,288,020:	114	10,309,000:	120	+361,000	10,670,000:	120
Subtotal	15,276,636:	155	16,371,000:	166	+415,000(3):	16,786,000:	166
Total obligations	578,431,298:	155	491,371,000:	166	-24,585,000	466,786,000:	166
Recovery of Prior Year obligations	-14,634,353:	--	--	--	--	--	--
Unobligated balance available, start of year	-262,429,546:	--	-120,787,568:	--	-135,583,216	-256,370,784:	--
Unobligated balance available end of year	120,787,568:	--	256,370,784:	--	+43,629,216	300,000,000:	--
Total, available or estimate	422,154,965:	155	626,954,216:	166	-116,539,000	510,415,216:	166

OBLIGATION LEVELS
(On basis of available funds)

Item	1992 Actual	1993 Estimated	1994 Estimated
Appropriation or estimate ..	\$5,161,359,891	\$4,978,817,276	\$5,282,000,216
Unobligated balance available, start of year .	262,429,546	120,787,568	256,370,784
Recovery of Prior Year obligations	<u>14,634,355</u>		
Total available	5,438,423,792	5,099,604,844	5,538,371,000
Less transfers to:			
Food and Nutrition Service, Child			
Nutrition Programs ..	-4,675,092,000	-4,290,455,000	-4,710,185,000
Department of Commerce .	<u>-64,112,926</u>	<u>-61,408,060</u>	<u>-61,400,000</u>
Total transfers	<u>-4,739,204,926</u>	<u>-4,351,863,060</u>	<u>-4,771,585,000</u>
Total available after transfers	699,218,866	747,741,784	766,786,000
Less total obligations	<u>-578,431,298</u>	<u>-491,371,000</u>	<u>-466,786,000 a/</u>
Unobligated balance available, end of year....	<u>120,787,568</u>	<u>256,370,784</u>	<u>300,000,000</u>
a/ Under proposed legislation, obligations of \$10,286,000 in 1994 will be paid for by user fees.			

EXPLANATION OF PROGRAM

Under Section 32 of the Act of August 24, 1935, (7 U.S.C. 612c) an amount equal to 30 percent of customs receipts collected during each preceding calendar year and unused balances up to \$300 million are available for encouraging the domestic consumption and exportation of agricultural commodities. An amount equal up to 30 percent of receipts collected on fishery products is transferred to the Department of Commerce. Additionally, funds are transferred to the Food and Nutrition Service for use by the Child Nutrition Programs as provided in the current Appropriations Act.

Commodity Purchases:

Pursuant to Section 32, the Agricultural Marketing Service directs the purchase of commodities such as meats and fish, fruits and vegetables, and poultry in order to stabilize market conditions and provide commodities for distribution through the Food and Nutrition Service to schools as part of the entitlement for the National School Lunch Program. In addition, AMS purchases commodities for other domestic feeding programs of the Food and Nutrition Service (FNS). AMS is reimbursed by FNS for the administrative costs associated with purchases made for FNS domestic feeding programs. Commodities purchased for market stability purposes are donated to eligible schools or public or private institutions that operate meal programs.

Commodity Purchase Services Workload Data:

	<u>FY 1992 Actual</u>	<u>FY 1993 Estimate</u>	<u>FY 1994 Estimate</u>
Contract bids received:			
Fruits and Vegetables	695	760	836
Meat and Fish	541	650	750
Poultry	<u>742</u>	<u>755</u>	<u>765</u>
Total	1,978	2,165	2,351
Contracts awarded:			
Fruits and Vegetables	440	485	535
Meat and Fish	300	350	400
Poultry	<u>471</u>	<u>480</u>	<u>490</u>
Total	1,211	1,315	1,425

Summary of Purchases by Commodity Group
(In thousands)

<u>Commodity Group</u>	<u>1991 Actual</u>		<u>1992 Actual</u>	
	<u>Pounds</u>	<u>Obligations</u>	<u>Pounds</u>	<u>Obligations</u>
Poultry	121,202	\$87,834	159,264	\$116,681
Meat	149,928	191,628	193,506	246,691
Fruit	104,679	63,199	166,919	76,727
Vegetables	<u>200,647</u>	<u>62,511</u>	<u>221,473</u>	<u>61,881</u>
Total	<u>576,456</u>	<u>\$405,172</u>	<u>741,162</u>	<u>\$501,980</u>

Section 32 Commodity Purchases FY 1991 and 1992
(In thousands)

<u>Item</u>	<u>1991 Actual</u>		<u>1992 Actual</u>	
	<u>Pounds</u>	<u>Obligations</u>	<u>Pounds</u>	<u>Obligations</u>
Almond Butter	17,908	\$21,220	--	--
Almonds, Slivered	--	--	1,553	\$3,199
Apple Slices, Canned	14,415	6,460	11,799	4,914
Apples, Fresh	6,442	1,612	5,677	1,916
Applesauce	25,914	7,794	22,069	6,453
Apricots, Canned	--	--	7,927	4,019
Asparagus, Canned	2,457	1,695	1,428	1,101
Asparagus, Frozen	320	401	277	365
Beans, Dry	27,961	6,104	32,244	6,513
Beans, Green, Canned	8,889	2,346	24,317	6,218
Beans, Green, Frozen	928	349	3,858	1,251
Beans, Refried, Canned	3,742	1,103	6,999	2,146
Beans, Vegetarian, Canned	21,672	4,986	16,806	3,351
Beef, Frozen Ground	86,927	112,859	102,600	131,168
Beef Patties	29,008	35,393	32,069	40,233
Caneberry, Puree	--	--	2,515	2,016
Catfish, Filet Strips	--	--	252	733
Catfish, Whole	--	--	2,700	4,860
Chicken, Chilled	13,248	6,706	11,413	5,711
Chicken, Cooked	--	--	2,106	2,406
Chicken, Diced	2,910	6,356	10,280	22,916
Chicken, Frozen, Cut-Up	59,151	34,205	60,224	30,601
Chicken, Nuggets	--	--	777	1,199

Section 32 Commodity Purchases FY 1991 and 1992
(In thousands)

Item	1991 Actual		1992 Actual	
	Pounds	Obligations	Pounds	Obligations
Corn, Canned	20,858	6,660	31,963	9,160
Corn, Frozen	17,335	8,409	2,927	1,078
Date Pieces	3,960	2,302	3,060	2,398
Eggs, Whole, Frozen	7,119	4,316	9,693	4,669
Grape Juice, Canned	--	--	10,649	3,601
Ham, Cooked, Frozen	--	--	15,912	24,549
Mixed Fruit, Canned	--	--	9,200	4,810
Peaches, Canned	--	--	21,248	10,522
Peaches, Frozen	--	--	12,240	7,949
Pears, Canned	--	--	42,652	17,008
Pears, Fresh	4,568	1,500	4,077	1,236
Peas, Canned	--	--	7,159	2,205
Peas, Frozen	7,662	2,930	5,649	2,000
Pineapple, Canned	6,657	3,249	9,006	4,694
Plums, Canned	2,932	1,021	--	--
Pork, Canned	1,515	2,260	12,498	16,107
Pork, Frozen, Ground	21,893	25,050	18,295	16,597
Potatoes, Dehydrated	--	--	9,630	4,996
Potato Rounds, Frozen	42,934	13,031	25,979	6,258
Potatoes, French Fries	30,355	8,842	27,088	6,698
Prunes, Dried	6,157	5,756	--	--
Raisins	11,963	6,378	--	--
Raspberry Puree	281	237	--	--
Salmon, Canned	5,012	8,355	3,434	5,760
Strawberries, Frozen	--	--	3,247	1,974
Sweet Potatoes, Canned	--	--	3,247	1,974
Tomatoes, Crused	--	--	7,773	2,200
Tomatoes, Paste	--	--	4,200	1,565
Tomatoes, Whole	--	--	5,728	1,754
Tuna, Canned	5,573	7,711	5,746	6,684
Turkey, Burgers, Frozen	--	--	1,547	1,594
Turkey, Chilled	5,975	4,078	--	--
Turkey, Frozen, Ground	7,070	5,237	8,230	5,994
Turkey, Roast	14,738	19,387	12,694	16,723
Turkey, Whole, Frozen	10,991	7,549	42,300	24,868
Walnuts, English	3,482	5,670	--	--
Undistributed	--	--	--	32
Total	576,456	\$405,172	741,162	\$501,980

Federal Food Specifications:

AMS also develops, coordinates, and approves Federal food product descriptions and establishes quality assurance policies and procedures for the procurement of food by USDA, the Department of Defense, Indian Health Service, National Institutes of Health, Bureau of Prisons, and the Department of Veterans Affairs. The major goal of this program is to update and streamline Federal food specifications to improve the cost efficiency of Federal food purchasing by using Commercial Item Descriptions whenever possible.

Federal Food Specification Workload Data:

	<u>FY 1992</u> <u>Actual</u>	<u>FY 1993</u> <u>Estimate</u>	<u>FY 1994</u> <u>Estimate</u>
Commercial Item Descriptions (CID's) developed, coordinated and approved...	3	3	2
CID's revised.....	8	8	10
Federal Specifications approved	0	1	0
Documents canceled.....	8	5	2
Department of Defense food documents coordinated.....	45	45	25
Food product description reviewed.....	16	15	15
Federal specifications amended.	2	1	1

Marketing Agreements and Orders:

The marketing agreements and orders program is authorized by the Agricultural Marketing Agreement Act of 1937. Section 32 funds authorized under 7 U.S.C. 1392b are used by the Department for administering marketing agreement and order programs at the national level and for public hearings and referenda to determine producer sentiment concerning new programs and proposed revisions of marketing orders already in effect. Administration at the local level is financed through handler assessments.

Marketing orders are designed to stabilize market conditions and to improve the returns for fluid milk and fruit and vegetable producers. Stabilized market conditions are accomplished by: (1) establishing minimum prices which handlers pay to dairy producers; and (2) regulating the quality and quantity of fruits and vegetables sold in commercial channels.

The orders are requested by producers and handlers. Evaluations and hearings on proposed marketing orders are conducted by AMS. Proposed orders are subject to approval by producers of the regulated commodity. Once approved, the Secretary issues the marketing order and sets the effective date of the order.

Marketing Agreements and Orders Workload Data:

	<u>Fluid Milk Orders</u>			<u>Fruit, Vegetable and Specialty Crop Orders</u>		
	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
Agreement and order programs in effect.....	40	38	34	43	43	44
Requests received for new programs.....	0	0	0	0	2	2
<u>Hearings and Petitions:</u>						
Hearings held to consider amendments to existing orders or the issuance of orders in new areas.	4	6	6	0	3	3
Amendments issued.....	3	7	6	3	1	2
Suspensions and temporary revisions issued.....	17	15	15	1	4	3
Petitions received for review of orders.....	7	6	6	0	0	0
Petitions disposed of during the year.....	6	7	6	0	0	0

	Fluid Milk Orders			Fruit, Vegetable and Specialty Crop Orders		
	1992	1993	1994	1992	1993	1994
	Actual	Estimate	Estimate	Actual	Estimate	Estimate
Administrator's decisions issued... ..	4	4	6	0	3	4
Secretary's decisions issued.....	3	4	5	0	3	5
Secretary's referendum orders issued.....	0	3	3	3	4	6
Termination orders issued.	0	2	2	0	0	0
<u>Order Operation and Enforcement:</u>						
Regulatory orders issued.	N/A	N/A	N/A	0	0	0
Investigation of alleged violations.....	3	10	10	131	190	200
Cases referred to the Department of Justice for prosecution.....	1	5	5	94	108	130
Court cases resolved.....	2	4	4	4	10	20
15A Petitions received for review.....	0	6	5	8	15	15
15A Petitions disposed of during the year.....	1	4	4	35	10	10
Freedom of Information requests.....	13	15	15	55	70	90
<u>Order Management:</u>						
Appointment of an administrative committee	N/A	N/A	N/A	52	52	52
Promulgation of committee rule-making...	N/A	N/A	N/A	192	220	250
Budgets approved.....	15	15	15	45	47	47
Committee/Subcommittee meetings attended.....	N/A	N/A	N/A	369	380	400
Nomination meetings attended.....	N/A	N/A	N/A	120	120	120
Million tons regulated....	53.0	53.3	54.2	N/A	N/A	N/A
Percent Grade A marketed..	77	80	80	N/A	N/A	N/A
Value of marketings (million \$).....	14,164	13,360	12,965	N/A	N/A	N/A
Total number of markets...	40	38	34	N/A	N/A	N/A
Value of producer deliveries (Million \$)..	14,164	13,360	12,965	N/A	N/A	N/A
<u>Cooperative Qualifications:</u>						
Cooperatives qualified...	177	180	180	N/A	N/A	N/A
Cooperative qualifications terminated.....	4	8	8	N/A	N/A	N/A
Cooperative annual reports reviewed.....	177	180	180	N/A	N/A	N/A

JUSTIFICATION OF INCREASES AND DECREASES
Section 32

- (1) A decrease of \$24,100,000 for emergency surplus removal purchases. The budget customarily does not anticipate this need in the budget year.
- (2) A decrease of \$900,000 in disaster relief. The budget customarily does not anticipate this need in the budget year.
- (3) A net increase of \$415,000 for commodity purchases and marketing agreements and orders activity consisting of:

- (a) an increase of \$423,000 which reflects the annualization of the fiscal year 1993 pay raise.

This increase includes \$59,000 to annualize the pay raise for the commodity purchase services program and \$364,000 to annualize the pay raise for the marketing agreements and orders program.

- (b) an increase of \$209,000 which reflects a 2.7 percent increase in non-salary costs.

This increase includes \$108,000 for non-salary costs in the commodity purchase services program and \$101,000 for non-salary costs in the marketing agreements and orders program.

- (c) a decrease of \$217,000 for administrative efficiency.

Need for Change. To promote the efficient use of resources for administrative purposes, in keeping with the President's Executive Order, total USDA baseline outlays for these activities will be reduced by 3 percent in FY 1994, 6 percent in FY 1995, 9 percent in FY 1996, and 14 percent in FY 1997.

Nature of Change. In order to achieve this savings, the commodity purchase services program and the marketing agreements and orders program will carefully monitor travel expenses, supply purchases, printing and reproduction costs, and utility usage.

Funds for Strengthening Markets, Income, and Supply
(Section 32)

Summary of Proposed Legislation

SUMMARY OF INCREASES AND DECREASES - PROPOSED LEGISLATION

Obligations from New Budget Authority

Item of Change	1994		
	Current Law	Program Changes	President's Request
Commodity Purchases	\$400,000,000	--	\$400,000,000
Sunflower and Cottonseed Oil ...	50,000,000	--	50,000,000
Commodity Purchase Services	6,116,000	--	6,116,000
Marketing Agreements and Orders.	10,670,000	-\$10,670,000	--
Conversion Costs	--	+384,000	384,000
Total Obligations from New Budget Authority	<u>466,786,000</u>	<u>-10,286,000</u>	<u>456,500,000</u>

Marketing agreements and orders are regulations issued by the Secretary that help stabilize market prices and supply for milk, fruit, vegetables, and certain specialty crops. The orders are administered locally by marketing order committees and market administrators who are funded from assessments on regulated producers and handlers. Federal oversight and administrative support is presently funded from the Section 32 appropriation.

Since the Federal operations directly support local activities, AMS proposes to recover Federal costs for oversight of marketing agreements and orders through increased assessments to those producers and handlers who benefit. The local market administrator or committee will be billed for their portion of Federal costs, and payments will be credited to the account incurring the cost.

The proposal is estimated to generate savings of \$10,670,000 in 1994. The saving will be offset by one-time conversion costs of \$384,000 to fund leave liability accumulated under the appropriated program. Without appropriated funding, these costs would become an immediate liability to the users. The net savings is \$10,286,000.

Agricultural Marketing Service
Section 32 Administrative Funds
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1992 AND ESTIMATED 1993 AND 1994

	1992		1993		1994	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
California	\$499,186	6	\$554,000	7	\$573,000	7
District of Columbia	14,186,530	142	15,161,000	151	15,534,000	151
Florida	189,338	2	210,000	3	217,000	3
Illinois	88,006	1	98,000	1	102,000	1
Oregon	230,242	3	256,000	3	265,000	3
Texas	83,334	1	92,000	1	95,000	1
Total, Available or Estimate	15,276,636	155	16,371,000	166	16,786,000	166

Sunflower and Cottonseed Oil Purchase
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1992 AND ESTIMATED 1993 AND 1994

	1992		1993		1994	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
Undistributed	\$50,000,000 ^{1/}	--	\$50,000,000 ^{1/}	--	\$50,000,000 ^{1/}	--
Total, Available or Estimate	\$50,000,000 ^{1/}	--	\$50,000,000 ^{1/}	--	\$50,000,000 ^{1/}	--

1/ Distribution by State cannot be determined.

Disaster Relief
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1992 AND ESTIMATED 1993 AND 1994

	1992		1993		1994	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
California	\$2,000,000	--	--	--	--	--
Florida	4,750,000	--	--	--	--	--
Hawaii	600,000	--	\$900,000	--	--	--
Louisiana	250,000	--	--	--	--	--
Guam	275,000	--	--	--	--	--
Marshall Islands ..	500,000	--	--	--	--	--
Federated States of Micronesia	2,800,000	--	--	--	--	--
Total, Available or Estimate	\$11,175,000	--	\$900,000	--	--	--

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Commodity Purchases
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1992 AND ESTIMATED 1993 AND 1994

	<u>1992</u>		<u>1993</u>		<u>1994</u>
	Amount	Staff- Years	Amount	Staff- Years	Amount Staff- Years
Alabama	\$3,555,522				
Arkansas	12,505,819				
California	57,016,356				
Colorado	4,844,104				
Delaware	95,376				
Florida	171,677				
Georgia	26,961,328				
Idaho	1,324,222				
Illinois	3,648,388				
Indiana	1,303,641				
Iowa	11,761,885				
Kansas	1,588,766				
Louisiana	2,769,422				
Maine	6,466,000				
Maryland	3,240,279				
Michigan	16,425,779				
Minnesota	35,153,134				
Mississippi	24,603,027				
Missouri	54,360,382				
Nebraska	60,208,946				
New Jersey	41,565,422				
New York	4,834,566				
North Carolina	13,601,139				
North Dakota	453,288				
Ohio	2,162,528				
Oregon	2,402,475				
Pennsylvania	58,611,145				
Puerto Rico	1,506				
South Carolina	476,881				
Texas	4,237,210				
Utah	5,529,306				
Virginia	21,761,822				
Washington	16,087,444				
Wisconsin	2,250,877				
Undistributed	--	--	\$424,100,000 1/	--	\$400,000,000 1/
Total, Available or Estimate	501,979,662	--	424,100,000 1/	--	400,000,000 1/

1/ Since contracts for commodity purchases are awarded to the lowest bidder, distribution by State cannot be determined at this time.

SECTION 32

STATUS OF PROGRAM

Current Activities:

AMS directs the purchase of particular commodities in order to help stabilize market conditions. The commodities acquired are furnished to the Food and Nutrition Service (FNS) to meet the needs of the National School Lunch Program and other domestic feeding programs. Purchases are coordinated with FNS to assure that the quantity, quality, and variety of commodities purchased can be used in domestic feeding programs. The Agricultural Stabilization and Conservation Service (ASCS) administers the payments to vendors to whom contracts have been awarded, ensures the proper storage of commodities purchased when needed, and assists in their distribution.

The administrative costs for food buying operations and coordination with FNS and ASCS are paid from the Commodity Purchase Services activity in the Section 32 program. Section 32 funds are also used for the administration of marketing agreements and orders which are used to establish orderly marketing conditions for certain commodities.

AMS also maintains a government-wide food specification program to reduce government food purchase costs by standardizing contract specifications.

Selected Examples of Recent Progress:1. Commodity Purchases:

In FY 1992, AMS used Section 32 funds to purchase almost \$502 million worth of commodities. This amounted to over 741 million pounds of commodities which were distributed through the nutrition programs of FNS. Of this amount, over 586 million pounds of the commodities purchased were used to fulfill the National School Lunch Program's commodity subsidy of 14 cents per meal for the school year ending June 30, 1992. The remaining 155 million pounds were used for the purpose of emergency surplus removal through donation to schools and other institutions.

During FY 1992, AMS continued making purchases using the Processed Commodities Inventory Management System (PCIMS). In June 1992, full implementation of the entire system was initiated linking AMS, FNS, and ASCS into one management system.

Also, during FY 1992, almost \$5.8 million of Section 32 funds were used to purchase canned salmon, \$6.7 million were used to purchase canned tuna, and \$2.7 million were used to purchase catfish.

After a successful pilot program last year, AMS required that shipments of certain frozen and canned products be delivered on pallets for school year 1991-92. This program has greatly improved the efficiency of delivering such products.

Commodities purchased in FY 1992 that were not purchased in the previous year included canned apricots, caneberry puree, catfish filet strips and whole catfish, cooked chicken, chicken nuggets, canned grape juice, cooked ham, canned mixed fruit, canned and frozen peaches, canned pears, canned peas, dehydrated potatoes, frozen strawberries, crushed tomatoes, tomato paste, whole tomatoes and frozen turkey burgers.

To meet the increased emphasis in lowering fat in products to the National School Lunch Program, AMS has purchased ground turkey and frozen diced chicken and has reduced the fat content of frozen ground beef and pork products to

approximately 18-20 percent. AMS is also purchasing beef patties with only 10 percent fat. Schools have the option of ordering not only the type of beef (bulk or patties), but also lean beef, or the new low-fat patties.

During FY 1992, \$11.2 million were used to provide disaster relief. The cost for continued feeding of victims of super Typhoon Owen in the federated states of Micronesia and victims of Typhoon Zelda on Ujae and Lae Atolls, Marshall Islands was \$2.2 million. The cost of providing disaster relief to victims of Typhoon Axel on Mili and Jaluit Atolls, Marshall Islands and Pohnpei Islands, the Federated States of Micronesia was \$1.1 million. Civil disturbances in Los Angeles City and County, California cost \$2.0 million. Disaster relief for victims of Hurricane Andrew in the states of Florida and Louisiana cost \$5.0 million. Approximately \$600,000 was used for disaster relief for Hurricane Iniki in the state of Hawaii and \$275,000 was used for victims of Typhoon Omar in the territory of Guam. Assistance was given under Section 413(b) of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5180(b)).

AMS also purchased almost \$191 million (representing almost 309 million pounds) of commodities using funds appropriated to FNS.

2. Food Quality Assurance Program:

During FY 1992, 3 Commercial Item Descriptions (CID's) were developed, coordinated, and approved; and 8 CID's were revised. In addition, 16 approved food product description documents were reviewed to determine the impact of changes made in the specifications on certification activities. Also, 45 Department of Defense food documents were coordinated, and 8 food product descriptions were canceled.

3. Marketing Agreements and Orders:

a. Dairy:

Milk marketing orders establish orderly marketing conditions for the sale of milk by dairy farmers to handlers. This is done by setting minimum prices which handlers must pay for milk at levels that reflect supply and demand conditions in the markets and assure consumers of an adequate supply of pure and wholesome milk. More than 106 billion pounds of milk valued at \$14.2 billion (minimum price basis adjusted for butterfat content) were delivered to plants in 40 market areas in FY 1992. This represented an estimated 78 percent of all Grade A milk marketed by U.S. dairy farmers.

In FY 1992, AMS collected and transferred to ASCS approximately \$130 million in dairy producer assessments pursuant to the Agricultural Act of 1949. A mandatory assessment at a minimum of 11.25 cents per hundredweight of milk produced in the 48 continental states reduced the price received by producers for milk marketed commercially. AMS is also responsible for verifying by audit the proper payment of the assessments mandated by law and verifying the individual producer refund information.

In FY 1992 a recommended decision was issued to amend the pricing provisions of all 40 milk orders to provide uniform classification provisions and modify the treatment of reconstituted milk. In addition, results of the Congressionally mandated study of alternative pricing mechanisms that could replace the Minnesota-Wisconsin (M-W) milk price series were issued, and a hearing was held to consider proposed alternative pricing mechanisms.

b. Fruits and Vegetables:

Order Amendments or Terminations

California Kiwi fruit. In January 1990, the Department conducted a hearing in Fresno, California, on proposed amendments to the California kiwi fruit marketing order. Based on the evidence presented at the hearing, the Department issued a Recommended Decision and Opportunity to File Written Exceptions in November 1990, and a Secretary's Decision and Referendum Order in February, 1991. The amendments clarify the way in which grower membership on the Kiwi fruit Administrative Committee is allocated, revise committee tenure requirements, authorize committee nominations to be conducted by mail, and authorize a late payment charge on delinquent handler assessments. These changes were favored by California kiwi fruit growers in a referendum held from March 15 to April 5, 1991. The amendments were established on February 2, 1992.

Cranberries

In January and February 1990, the Department held hearings in Plymouth, MA; Cherry Hill, NJ; Wisconsin Rapids, WI; and Portland, OR on proposed amendments to the cranberry marketing order. The proposals, offered by the Cranberry Marketing Committee, would authorize product research and development projects, changes in the grower allotments provisions and other administrative changes. In January 1991, the Department issued a Recommended Decision and Opportunity to File Written Exceptions. On December 27, 1991, after review of the comment received to the Recommended Decision, the Department published the Secretary's Decision and Referendum Order. The changes were favored by Cranberry growers voting in a referendum held January 13-31, 1992. The amendments were established on August 27, 1992.

WEDNESDAY, FEBRUARY 17, 1993.

FEDERAL GRAIN INSPECTION SERVICE

WITNESSES

DAVID R. GALLIART, ACTING ADMINISTRATOR, FEDERAL GRAIN INSPECTION SERVICE

DAVID R. SHIPMAN, DIRECTOR, FIELD MANAGEMENT DIVISION

ROBERT "E" SODERSTROM, DIRECTOR, RESOURCES MANAGEMENT DIVISION

STEPHEN B. DEWHURST, BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

OPENING REMARKS

Mr. DURBIN. I want to welcome everyone this morning to this hearing. We have three agencies before us. Congressman Skeen and I will start this off and maybe some others, on the panel, will join us.

I am happy to welcome the Federal Grain Inspection Service, David R. Galliart, Acting Administrator; David R. Shipman, Director, Field Management Division; Mr. Robert Soderstrom, Director, Resources Management Division; and yours and our trusted friend, Steve Dewhurst, Budget Officer.

We have your statement, Mr. Galliart. If you would like to summarize it, and provide whatever opening comments you would like to make, I welcome you to do so at this time.

Mr. GALLIART. Thank you, Mr. Chairman, and Members of the committee. We appreciate this opportunity to briefly acquaint you with the Federal Grain Inspection Service. A complete statement is being submitted for the record.

FGIS BACKGROUND

The Federal Grain Inspection Service was created by Congress under the United States Grain Standards Act of 1976, to manage the national grain inspection system and to institute a national grain weighing program.

The agency's responsibilities lie in three main areas: establishing and maintaining official U.S. grain standards; inspecting and weighing grain and related products for domestic and export trade; and supervising the official grain inspection and weighing system.

The system is a network of FGIS field offices and agencies authorized by FGIS to provide grain inspection and weighing services. Under the Act, most grain exported from the United States must be officially weighed and inspected. In addition, all corn exported from the United States must be tested for aflatoxin prior to shipment, unless the contract stipulates that testing is not required.

The official inspection and weighing of U.S. grain in domestic commerce are performed upon request on a fee basis.

Under the Agricultural Marketing Act of 1946, which is the second statute under which we work FGIS provides inspection service related to rice, pulses and grain products such as flour and corn meal. Services are performed on a fee basis for both domestic and export shipments.

USER FEES

FGIS is predominantly a user-fee funded operation. The total agency budget authorization for fiscal year 1993 is \$54.2 million, of which \$11.4 million is appropriated funding. User fees account for over 76 percent of our funding.

GRAIN EXPORTS

Because of our reliance on user fees, decreases in the volume of grain exported from the United States directly affect our revenues. Between fiscal years 1989 and 1991, U.S. agricultural exports dropped from 117.1 to 97.1 million metric tons, or by about 17 percent. In 1992, exports increased slightly to 105.7 million metric tons.

OFFICIAL INSPECTIONS

Concurrently, the number of official inspections performed decreased from 2.8 million in fiscal year 1988 to 2.4 million in 1992. During the same period, user-fee revenues declined by 5.5 million dollars.

COST-EFFECTIVENESS

Economic conditions clearly dictated the need for a more efficient and cost-effective national system. In response, the agency cut user-fee funded obligations by \$5.5 million. We accomplished this by consolidating field and sub-offices, abolishing several headquarters positions, strictly limiting spending on travel, training and equipment purchases, and trimming our staffing levels from 975 in 1982 to 752 in 1990 to 649 today.

FGIS remains committed to a customer-first orientation. Our new Official Commercial Inspection Service allows users to tailor official inspection services to fit individual needs.

SUNSET

At the end of this fiscal year, Public Law 100-518, enacted in 1988 and which authorized FGIS' programs, will expire. FGIS has recommended reauthorization of the sunset provisions of the statute to continue the agency's programs until September 30, 1998.

CURRENT PRIORITIES

We currently are addressing a variety of issues related to our mission of facilitating the marketing of U.S. grain. Our efforts in the areas of objective testing technology, food safety, and standardizing the official system are fundamental and ongoing.

We continue to improve objective testing methods. For example, FGIS is presently implementing a rapid procedure using near-infrared transmittance instruments to determine protein in wheat. This technology saves time, reduces errors caused by operator influence, and improves the reproducibility of protein measurements.

In addition, we are pursuing objective technologies that measure the hardness of single wheat kernels, sprout damage and enzyme activity in wheat, odor in grain and insect infestation.

Food safety remains a priority. The reports of a delayed corn harvest in the upper Midwest this year prompted renewed interest in mycotoxins. In response, FGIS is investigating quick tests that measure various mycotoxins in grain, including vomitoxin and fumonisin. We already have approved and implemented test kits that safely and rapidly measure aflatoxin.

In recent years, we have increased the uniformity of the official inspection and weighing system by strengthening its quality control program.

In addition, we are working with the National Institute of Standards and Technology and the National Conference on Weights and Measures to further improve the uniformity of the system by developing a standardized equipment evaluation program.

Since its inception, FGIS has played a crucial role in the marketing of U.S. grain both in domestic and international markets. Today, we remain committed to strengthening and improving the system.

This ends my summary. I will be glad to answer questions from the committee.

[CLERK'S NOTE.—Mr. Galliard's biography appears on page 245. Mr. Shipman's biography appears on page 246. Mr. Gaillard's prepared statement appears on pages 247 through 255. The budget explanatory notes received by the Committee April 28, 1993 appear on pages 256 through 276.]

PRIMARY RESPONSIBILITY

Mr. DURBIN. Thank you, sir.

I was just asking staff here, what is your primary responsibility. It is primarily to inspect the grain leaving the United States, our export grain. Is that correct?

Mr. GALLIART. That is our major responsibility.

Mr. DURBIN. I am interested in the area of international trade and new trade agreements. Can you tell me, do you have any responsibility for inspecting the grain that comes in from overseas, imported grain?

Mr. GALLIART. No responsibility.

Mr. DURBIN. That is the responsibility of another agency?

Mr. GALLIART. As far as inspection is concerned, other than for phyto sanitary purposes, I don't think grain coming in is subject to mandatory government inspection. FGIS will inspect it upon request, on the basis of U.S. standards.

STANDARDS

Mr. DURBIN. I wanted to ask you that next. Are the standards that we apply to our own grain, as good or better than the inspection standards that are applied to imported grain?

Mr. GALLIART. It is the same standard, if I understood your question.

Mr. DURBIN. Here is what I am asking. It appears that we go to considerable lengths to make sure that we are exporting quality grain in good condition. I am asking whether or not the grain that is imported in the United States, based on your experience, has been held to the same standard as grain exported to other countries.

Mr. GALLIART. I would imagine that the grain that is imported into this country is imported on the basis of a contract between buyer and seller that stipulates the quality the U.S. importer is seeking.

FOOD SAFETY

Mr. DURBIN. But questions like food safety, for example, go beyond the obvious appearance of grain and some visual testing. I am just trying to get to the point as to whether or not this microbiological inspection has been applied to the imported grain to determine whether or not it meets the same standard as we require of our own exports.

Mr. GALLIART. I am not sure I can answer that. I can speculate and tell you what I think. That is, if a U.S. importer bringing grain into this country had any question or problem with something involving food safety, he would have it tested. Whether he had it tested by the country that was shipping the grain into this country or by us is at the buyer's discretion.

GRAIN QUALITY—STANDARDS

Mr. DURBIN. Let me ask you the second part of that question. The last farm bill addressed the whole question of quality and cleanness of grain shipped overseas and I believe the farm bill suggested the creation of a committee that would oversee the inspection process to determine whether or not the standards that are being used for exports are sufficient.

Producers in my part of the country complain that sometimes when they deliver the grain to the elevator it is in perfect shape, then when it is finally off-loaded it may have a lot of different things mixed in, from gravel to hulls to whatever it happens to be. This of course gives the American grain shipper and producer a bad image.

Can you tell me what is happening in terms of that whole issue?

Mr. GALLIART. It has been an issue that has been discussed in the past. In this country, we have a free-trade approach to selling grain. In many countries, Canada, for instance, they have a system where the government cleans the grain before they release it. In the U.S. it is taken as it comes from the farm and blended to provide the quality they are expected to sell. There are no government rules or regulations, that demand that the grain be cleaned.

The standards do play a certain role; that is, the tighter the limits of the particular standard, the less foreign material and the less damage. Any factor that lowers the grade impacts on the overall quality and, at times, the cleanliness also.

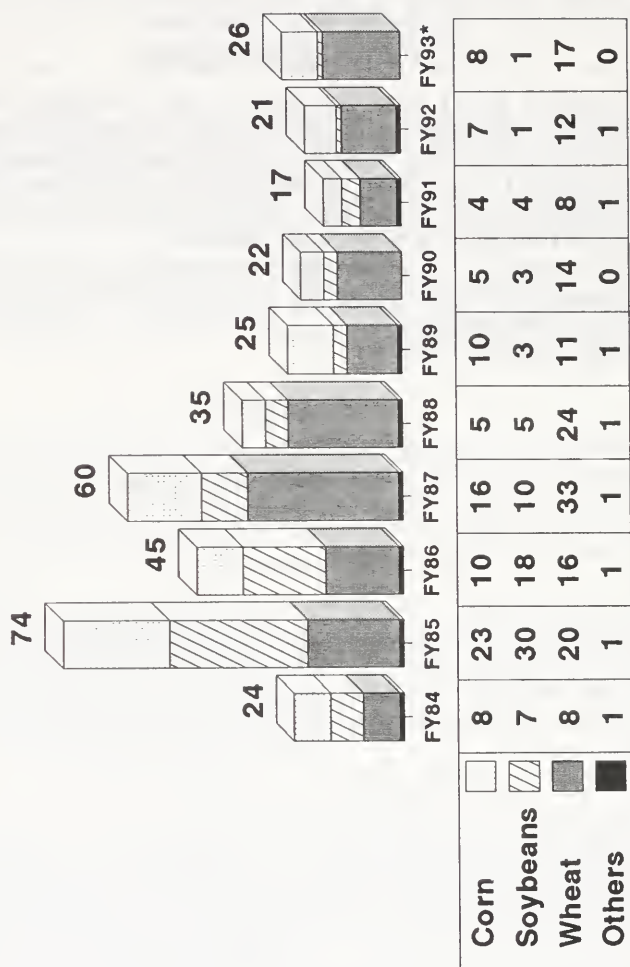
GRAIN QUALITY TRENDS

Mr. DURBIN. Every year you have several complaints concerning the quality of exported grain. Generally, the trend since 1987 has been downward in the number of complaints. Please provide a table showing the number of complaints for exported grain that you received in each of the past five years, and are there any open complaints that have not yet been resolved?

Mr. GALLIART. A table showing the number of complaints for exported grain will be provided for the record. At this time, 23 complaint case files are open.

[The information follows:]

Foreign Complaints Received by FGIS



*10/01/92-02/18/93

Federal Grain Inspection Service

Mr. DURBIN. For the record please provide a short description of each complaint received during fiscal year 1992.

Mr. GALLIART. A short description is provided for the record.

[The information follows:]

Summary of Complaints
Reported by Importers
on Inspection and
Weighing
Fiscal Year 1992

	Grain	Number of Complaints	Nature of Complaint
Africa			
Zambia	Corn	1 1	Presence of pesticide residue Presence of fungi
Asia			
Japan	Wheat	1 1 1	Weight Presence of stones Residual gas from fumigant
	Corn	1	Heat damage
Malaysia	Wheat	1	Protein
PRC	Wheat	1	Weight
Sri Lanka	Wheat	1	Dockage
Latin America			
Colombia	Wheat	1	Test weight, foreign material, protein
Mexico	Sorghum	1	Infestation
	Soybeans	1	Foreign material
Nicaragua	Wheat	1	Test weight, foreign material, dockage, shrunken and broken kernels
Venezuela	Corn	1 1	Damaged kernels, broken corn and foreign material Broken corn and foreign material
Near East			
Algeria	Wheat	1 1	Presence of treated seeds Infestation
Egypt	Corn	1	Infestation, broken corn and foreign material
Saudi Arabia	Corn	1	Broken corn and foreign material
Yemen	Wheat	1	Infestation
Pacific			
New Zealand	Wheat	1	Protein
TOTAL		21	

COMPLAINTS

Mr. DURBIN. Do you receive complaints about our grain exports concerning problems with the quality or cleanliness of the grain?

Mr. GALLIART. Last year we had something like 15 complaints in total. Actually the number of complaints have been going down over the years. We do receive complaints about foreign material in grain and about excessive moisture. Any factor may result in a complaint.

Mr. DURBIN. Do you investigate to determine where the problems started?

Mr. GALLIART. Yes.

Mr. DURBIN. And what do you find?

Mr. GALLIART. Our investigation basically evolves around our review of the file samples that are retained at the point where the grain was inspected. Many times we have the importer ship a destination sample of the grain to us and we examine it. Sometimes—and this is rare because we aren't funded to do this—we go abroad and have a look at the grain the complainant is concerned about.

Mr. DURBIN. What have you found?

Mr. GALLIART. For the most part, we find that the grain was graded according to our standards and the grade was correct when we issued the certificate of grade in practically every case.

Mr. DURBIN. I guess the question I am leading to is, if there is a complaint that there is foreign material in the grain, do you trace it back to try to determine where the problem occurred?

Mr. GALLIART. No, we do not trace it back. We go back to our file samples that are kept at the point where the grain was graded.

ERS GRAIN CLEANING STUDY

Mr. DURBIN. In regard to the Farm Bill study on the benefits and cost of cleaning U.S. grain last year Mr. Foltz reported, at the time of the hearing, that FGIS had spent over \$924,000 on an ERS grain cleaning study. Can you give us a synopsis of the information from that study and tell us what you have spent on the study so far?

Mr. GALLIART. FGIS signed a cooperative research agreement with ERS in September 1990 to conduct an economic study of the costs and benefits of cleaning U.S. grains. We obligated \$924,903—fiscal year 1990 \$249,866, fiscal year 1991 \$428,316 and fiscal year 1992 \$246,721—to support the research. The study covers wheat, corn, soybeans, sorghum, and barley and will be completed in stages with the initial report for wheat completed in March 1993 and the final reports for sorghum and barley completed in December 1993.

Only information on the wheat study is available at this time. The wheat study will include a summary report and two basic reports. The first, Economic Implications of Cleaning Wheat in the United States, focuses on the costs and domestic benefits of cleaning wheat. The second, The Role of Quality in Wheat Import Decision-Making, focuses on importers preferences with respect to cleanliness and other quality factors, and assesses benefits from cleaning export wheat. The international portion of the study included interviewing traders, millers, and officials in State trading agencies from 18 countries that import 70 percent of the U.S. wheat exports.

The findings and policy discussions are extensive and will warrant careful and complete evaluation upon publication of the reports. At the risk of oversimplifying the findings, we can report the study concludes that cleaning all wheat for export is not economically feasible because costs would outweigh benefits by at least \$6 million in the short run. Over time, the cost could exceed benefits by even more. However, the study further concludes that the U.S. wheat industry would potentially gain \$8–\$10 million net benefits if it targets wheat cleaning to cleanliness-conscious niche markets. These niche markets represent about 17 percent of all U.S. wheat exports, primarily the Dark Northern Spring and Durum wheat markets.

Mr. DURBIN. Has FGIS used any of the information from this study to help sell cleaner grain?

Mr. GALLIART. Not at this time. Once the studies are released, FGIS will work within USDA and with groups such as the Grain Quality Workshop, an industry-sponsored group, to evaluate the findings and debate the policy options offered. It is premature to predict any specific action due to the study findings.

COMMITTEE ON GRAIN QUALITY

Mr. DURBIN. For the record, can you provide some details on the activities of the Committee on Grain Quality that was established by the Farm Bill? What have been the expenditures of this Committee? Who is on this Committee?

Mr. GALLIART. The Committee on Grain Quality, and the Grain Quality Coordinator, were provided for in Title 20, Grain Quality, of the Food, Agriculture, Conservation, and Trade Act of 1990. The Committee is charged with providing information and advice on grain quality issues to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate.

No funding was appropriated for the Committee, and no monies have been spent on Committee activities. Members serve in collateral duty capacities.

The Committee is guided by a charter that is an approved USDA regulation—Departmental regulation 2400-6, dated July 28, 1992.

I will provide additional information.

[The information follows:]

The Committee provides a valuable forum for communication among USDA agencies involved in grain quality-related activities. Soon after the Committee was established, it became apparent that obtaining a clear understanding of how USDA's grain quality-related programs interrelate was imperative. As a result, the Committee developed a comprehensive report on USDA's roles in grain quality, on an agency by agency basis.

In August 1992, Committee members met with Senator Tom Daschle. At the Senator's request, attendees included representatives of the Agricultural Research Service, the Agricultural Stabilization and Conservation Service, FGIS, the Economic Research Service, and the Extension Service. During the meeting, attendees briefed the Senator on the Committee's work and on member agencies' roles in the area of grain quality.

Currently, the Committee is addressing specific issues related to grain quality. Special subcommittees were established to explore U.S. purchases of Canadian Durum wheat, the impact of quality factors on the Farmer Owned Reserve, and importers' concerns as related to sanitary and phytosanitary issues. A white paper was developed on the first issue, and reports on the remaining two topics should be completed during this fiscal year.

COMMITTEE MEMBERS

David R. Galliart, Coordinator, Federal Grain Inspection Service.
 John Van Dyke, Agricultural Marketing Service.
 Wilda Martinez, Agricultural Research Service.
 Steven Gill, Agricultural Stabilization and Conservation Service.
 Bill Wallace, Animal and Plant Health Inspection Service.
 Mack N. Leath, Economic Research Service.
 Henry Bahn, Extension Service.
 David Shipman, Federal Grain Inspection Service.
 Roy Barrett, Foreign Agricultural Service.
 Rich Allen, National Agricultural Statistics Service.

GRAIN QUALITY COORDINATOR

Mr. DURBIN. The 1990 Farm Bill authorized a grain quality coordinator. Last year, Mr. Foltz indicated that FGIS intended to fill this position during fiscal year 1993. Have you done so, and what actions have been taken to date to implement that provision of the Farm Bill?

Mr. GALLIART. The Deputy Administrator of the Federal Grain Inspection Service was appointed to serve as the grain quality coordinator in September 1991 as directed by section 2002 of the Grain Quality Incentive Act of 1990. In addition to implementing the provisions of section 2002, the Federal Grain Inspection Service has initiated actions in response to other sections of the Grain Quality Incentive Act of 1990.

I will provide additional information for the record.

[The information follows:]

The Federal Grain Inspection Service entered into a cooperative agreement with the Economic Research Service to study the costs and benefits of marketing cleaner grain. This action was directed by section 2005. The final cost/benefit report regarding wheat is scheduled for completion by March 1993. Reports for corn and soybeans are expected by October 1993, and sorghum and barley are expected by December 1993.

Provisions to implement mandatory aflatoxin testing for export corn (section 2007) were effective February 21, 1992.

In response to section 2009 to standardize commercial inspection equipment and procedures, the Federal Grain Inspection Service has cooperated with the National Institute of Standards and Technology (NIST) and the National Conference of Weights and Measures (NCWM) to standardize equipment specifications, tolerances, and test procedures for moisture equipment, NIR wheat protein equipment, dockage equipment, and test weight per bushel equipment. We also developed and distributed inspection procedures for conducting cost-effective commercial inspections.

GRAIN DUST EXPLOSIONS

Mr. DURBIN. Please provide for the record the number of explosions resulting from grain dust and include the number of deaths and injuries for fiscal years 1983 through 1992.

Mr. GALLIART. We are happy to supply a table for the record.

[The information follows:]

GRAIN DUST EXPLOSIONS

	Explosions	Injuries	Deaths
1983.....	12	12	5
1984.....	20	29	8
1985.....	16	14	1
1986.....	25	22	6
1987.....	20	17	0
1988.....	12	12	8
1989.....	10	5	2
1990.....	18	8	0
1991.....	16	9	1
1992.....	7	6	1

EXPORT SALES

Mr. DURBIN. The Economic Research Service projected for fiscal year 1992 that there would be a slight decrease in export sales. Can you relate for us the actual activity of exports compared to the ERS projections?

Mr. GALLIART. ERS initially projected fiscal year 1992 exports at 93.8 million metric tons—mmt—on 12/3/91 which was a slight decrease of 1.1 percent compared to fiscal year 1991. On 2/27/92 ERS projected 97.2 mmt or an increase of 2.5 percent. On 5/29/92 ERS projected 101.7 mmt or an increase of 7.3 percent. The final ERS projection on 8/27/92 reflected 102.9 mmt or an increase of 8.7 percent.

By December of 1991 actual activity by FGIS showed an increase of 24.9 percent compared to fiscal year 1991. By February 1992, actual activity reflected an increase of 19.4 percent. By May 1992, actual activity was 10.9 percent above the comparable period in fiscal year 1991. In August of 1992, actual activity was 9.2 percent

above fiscal year 1991. Actual activity for fiscal year 1992 was 103.4 mmt. This was a 9 percent increase when compared to the previous fiscal year.

EXPORTS BY COUNTRY OF DESTINATION

Mr. DURBIN. For the record please provide a table showing the grains inspected and/or weighed for export, by country of destination, for fiscal years 1991 and 1992.

Mr. GALLIART. We are pleased to provide the information for the record.

[The information follows:]

FY91 - YEAR TO DATE SEP 30, 1991

- METRIC TONS -

[illegible]

FY91 - YEAR TO DATE SEP 30, 1991

- METRIC TONS -

207

COUNTRY	WHEAT	RYE	YELLOW CORN	WHITE CORN	OATS	BARLEY	SORGHUM	SOYBEANS	FLAX	SUN FLOWER	TOTAL
PANAMA	95,697	0	82,882	0	0	0	0	0	0	0	158,579
PERU	192,854	0	283,737	0	0	0	11,100	0	0	0	487,691
PHILIPPINES	1,427,284	0	0	0	0	0	0	40,025	0	0	1,467,309
POLAND	99,749	0	40,257	0	0	0	0	0	0	0	140,006
PORTUGAL	38,753	0	201,850	0	0	0	0	341,824	0	0	582,427
REP S AFRICA	25,000	0	20,000	0	0	0	0	0	0	0	45,000
ROMANIA	0	0	343,879	0	0	0	0	151,446	0	0	495,325
SAUDI ARABIA	0	0	746,868	0	0	988,557	10,028	0	0	0	1,745,453
SENEGAL	29,073	0	16,402	0	0	0	33,846	0	0	0	79,321
SIERRA LEONE	9,650	0	0	0	0	0	0	0	0	0	9,650
SINGAPORE	26,744	0	0	0	0	0	0	0	0	0	26,744
SOMALIA	0	0	0	0	0	0	5,123	0	0	0	5,123
SPAIN	0	0	1,338,242	0	0	0	181,507	1,097,355	0	0	2,617,104
SRI LANKA	595,995	0	0	0	0	0	0	0	0	0	595,995
ST. LUCIA	0	0	1,000	0	0	0	0	0	0	0	1,000
ST. VINCENT	25,550	0	2,723	0	0	0	0	0	0	0	28,273
SUDAN	123,116	0	0	0	0	0	125,702	0	0	0	248,818
SURINAME	19,178	0	31,160	0	0	0	0	0	0	0	50,338
SYRIA	0	0	168,738	0	0	0	0	0	0	0	168,738
THAILAND	205,115	0	0	0	0	0	0	0	0	0	205,115
TOGO	83,416	0	0	0	0	0	601	0	0	0	84,017
TRINIDAD	132,885	0	104,826	0	0	0	0	113,841	0	0	351,552
TUNISIA	479,809	0	258,791	0	0	0	44,997	0	0	0	783,597
TURKEY	0	0	105,644	0	0	0	114,636	0	0	0	224,280
UN ARAB EM	0	0	59,165	0	0	0	0	0	0	0	59,165
UN KINGDOM	8,652	0	110,402	0	0	0	0	438,872	0	0	557,926
USSR	2,710,368	0	9,279,239	0	0	0	0	478,380	0	0	12,467,987
VENEZUELA	324,667	0	342,500	0	0	0	0	115,276	0	0	782,443
YEMEN	163,427	0	83,158	0	0	0	0	0	0	0	246,585
YEMEN (SANA)	0	0	18,676	0	0	0	0	0	0	0	18,676
YUGOSLAVIA	0	0	367,287	-0	0	0	0	34,172	0	0	401,459
ZAIRE	167,184	0	0	0	0	0	0	0	0	0	167,184
GRAND TOTAL	28,284,090	0	44,730,776	89,963	1,071	1,351,422	5,074,532	15,190,846	0	0	94,722,700
SHIPMENTS TO CANADA*	684,840	0	696,565	0	0	616,908	0	16,189	0	0	2,014,502

*NOT INCLUDED IN TOTAL INSPECTION FOR EXPORTS
GRAIN SHIPPED FOR STORAGE IN CANADA IS REPORTED AT TIME OF SHIPMENT FROM ST LAUR SWY PORTS
SOURCE: FEDERAL GRAIN INSPECTION SERVICE

GRAINS INSPECTED AND/OR WEIGHED FOR EXPORT BY COUNTRY OF DESTINATION

FY92 - YEAR TO DATE SEP 30, 1992

- METRIC TONS -

COUNTRY	WHEAT	RYE	YELLOW CORN	WHITE CORN	OATS	BARLEY	SORGHUM	SOYBEANS	FLAX	SUN FLOWER	TOTAL
UN KINGDOM	9,106	0	0	0	0	0	0	210,572	0	0	219,678
USSR	6,572,601	0	4,817,176	0	0	258,091	0	569,366	0	0	12,217,234
UZBEKISTAN	108,019	0	0	0	0	0	0	0	0	0	108,019
VENEZUELA	447,998	0	517,661	3,000	0	0	0	158,128	0	0	1,126,787
YEMEN	471,650	0	130,593	0	0	0	0	0	0	0	602,243
YUGOSLAVIA	9,398	0	0	0	0	0	0	47,665	0	0	57,063
ZAIRE	61,351	0	0	0	0	0	0	0	0	0	61,351
ZAMBIA	0	0	306,528	0	0	0	0	0	0	0	306,528
ZIMBABWE	0	0	179,500	148,058	0	0	0	0	0	0	327,558
GRAND TOTAL	34,481,021	0	40,236,732	497,834	26,001	2,109,416	6,182,755	19,614,028	0	32,629	103,180,416
SHIPMENTS TO CANADA*	814,059	0	728,788	0	0	681,380	0	0	0	0	2,224,227

*NOT INCLUDED IN TOTAL INSPECTION FOR EXPORTS
 GRAIN SHIPPED FOR STORAGE IN CANADA IS REPORTED AT TIME OF SHIPMENT FROM ST LAUR SWY PORTS
 TOTALS DO NOT INCLUDE 252,100 METRIC TONS OF MIXED GRAIN
 SOURCE: FEDERAL GRAIN INSPECTION SERVICE

INSPECTED GRAIN VOLUME

Mr. DURBIN. For the record please provide the volume figures for grain exports and domestic inspected grain for each of the past five years.

Mr. GALLIART. We are pleased to provide the information for the record.

[The information follows:]

GRAIN OFFICIALLY INSPECTED

[Million metric tons]

Fiscal year	Export			Domestic (est.)			Total
	FGIS	Delegat- ed States	Total	FGIS	Agencies	Total	
1988.....	91.5	24.3	115.8	20.5	174.9	195.4	311.2
1989.....	87.1	27.0	114.1	19.8	163.6	183.4	297.5
1990.....	87.4	26.9	114.3	17.4	159.3	176.7	291.0
1991.....	77.4	17.5	94.9	14.1	145.8	159.9	254.8
1992.....	85.7	17.8	103.5	6.4	137.5	143.9	247.4

Sources.—FGIS Annual Reports to Congress, the Export Grain Information System, and the Grain Inspection and Weighting Information System.

FUNDS—OBJECT CLASS

Mr. DURBIN. Please provide for the record an object classification table for the user fee fund for fiscal years 1991, 1992, and 1993 which shows actual expenditures. Also provide a table that combines both user fees funds and appropriated funds for the same time frame.

Mr. GALLIART. We are pleased to provide the information for the record.

[The information follows:]

USER FEES—CLASSIFICATION BY OBJECT
(In Thousands of Dollars)

	1991 actual	1992 actual	1993 estimate
Personnel compensation:			
11.1 Full time permanent	16,584	15,888	21,565
11.3 Other than full time permanent	1,029	922	1,252
11.5 Other personnel compensation	2,862	2,570	3,488
11.9 Total personnel compensation	20,475	19,380	26,305
12.1 Civilian personnel benefits	3,896	3,850	5,226
13.0 Benefits for former personnel	296	256	347
21.0 Travel & transportation of persons	585	576	782
22.0 Transportation of things	149	167	227
23.1 Rental payments to GSA	257	390	529
23.2 Rental payments to others	310	206	280
23.3 Communications, Utilities, Misc. Charges	1,125	856	1,162
24.0 Printing and Reproduction	208	62	84
25.0 Other Services	2,656	5,021	6,793
26.0 Supplies & Materials	459	603	818
31.0 Equipment	136	170	231
42.0 Insurance claims and indemnities	2	.....	.....
99.9 TOTAL OBLIGATIONS	30,554	31,537	42,784

TOTAL USER FEES AND APPROPRIATED FUNDS—CLASSIFICATION BY OBJECTS
(In Thousands of Dollars)

	1991 actual	1992 actual	1993 estimate
Personnel compensation:			
11.1 Full time permanent	21,643	21,724	27,618
11.3 Other than full time permanent	1,302	1,237	1,578
11.5 Other personnel compensation	2,993	2,721	3,645
11.9 Total personnel compensation	25,938	25,682	32,841
12.1 Civilian personnel benefits	4,953	5,032	6,452
13.0 Benefits for former personnel	296	256	347
21.0 Travel & transportation of persons	835	921	1,254
22.0 Transportation of things	211	211	276
23.1 Rental payments to GSA	257	390	529
23.2 Rental payments to others	364	221	332
23.3 Communications, Utilities, Misc. Charges	1,423	1,130	1,504
24.0 Printing and Reproduction	230	82	114
25.0 Other Services	4,307	6,878	8,581
26.0 Supplies & Materials	672	935	1,108
31.0 Equipment	600	1,043	843
42.0 Insurance claims and indemnities	2	.....	.....
99.9 TOTAL OBLIGATIONS	40,088	42,781	54,181

NEW OR REVISED STANDARDS

Mr. DURBIN. Every year FGIS revises or issues new standards for some crops. I believe most recently you have issued a new standard for canola. Since last year's hearing, have you issued any new standards or revised standards? Describe for us what these were.

Mr. GALLIART. On February 28, 1992, FGIS established standards for canola. In addition to canola, FGIS has initiated and completed standardization activity for other agricultural products inspected under the authority of FGIS. I will include for the record information or other actions since last year's hearing.

[The information follows:]

1. On December 14, 1992, FGIS published a final rule (57 FR 58961) revising the wheat standards, effective May 1, 1993, to reduce tolerances for stones, pieces of glass, ergot, smut, and foreign material.

2. On December 14, 1992, FGIS published a final rule (57 FR 58967) revising the sorghum standards, effective June 1, 1993, to reduce tolerances for the amount of tannin (brown) sorghum allowed in sorghum (yellow sorghum) and reducing grade limits for broken kernels and foreign materials. Grade limits were also established for foreign material as a separate factor.

FGIS also solicited comments on July 21, 1991, regarding proposed changes to the soybean standards (56 FR 30342). The final action is pending clearance. FGIS has initiated action to review the barley and corn standards during fiscal year 1993. In other areas, FGIS has prepared for clearance a proposed action for the rice standards and has determined, after a review, that action is not needed for beans, peas, and lentils.

FGIS—JAPAN OILSEED STUDY

Mr. DURBIN. Last year, we discussed with Mr. Foltz the joint FGIS-Japan oilseed processors association study related to soybean export monitoring. Mr. Foltz had indicated that the findings from that report had not yet been approved by both parties, and until that was done, you could not release the information. Since that has been over a year now, could you please tell us what the findings were from that study and what you have done to implement any of them?

Mr. GALLIART. FGIS and the Japan Oilseed Processors Association (JOPA)—the two cooperators in the study—have still not released the final report. FGIS submitted our final draft for signature, but JOPA raised additional questions which had not surfaced before. We have revised some of the wording to address JOPA's questions, and expect final approval very soon.

SPECIALIZED SERVICES

Mr. DURBIN. Mr. Galliart, your statement emphasizes some of your testing methods. In particular, you mention near-infrared transmittance instruments as a rapid procedure to determine protein in wheat and single kernel hardness and sprout damage. Can you tell us how many FGIS clients ask for these kinds of specialized services? Why would clients ask for some of this information?

Mr. GALLIART. Measuring the protein content of wheat, especially Hard Red Spring wheat and Hard Red Winter wheat, provides important information to the grain market. High protein levels frequently command premiums for producers and the various handlers in the marketing process. FGIS provides a standardized system for accurately measuring wheat protein.

I will provide, for the record, additional information on specialized services.

[The information follows:]

In fiscal year 1992, the official inspection system tested 507,707 shipments of wheat for protein. In addition to providing direct testing service to the wheat industry, the FGIS system offers an appeal testing service. Furthermore, the official system provides the industry a reference point for general commercial testing and an alternative source to resolve disputes. In fact, some States specify that if a producer and elevator operator cannot agree on the protein content of wheat, they must obtain a representative sample and have it tested by the official inspection system and make settlement based on the official results.

We are currently converting our protein testing program from near-infrared reflectance technology to near-infrared transmittance technology. The new technology permits us to measure protein content on a whole grain sample. The previous technology required the grinding of the wheat before testing. While this appears to be of little difference, the new technology will benefit the entire wheat industry by providing more timely results, reducing errors due to operator influence, and improving the reproducibility of results.

Our work regarding single kernel wheat hardness involves the development of a system to more accurately classify wheat and to provide more meaningful information to predict the true value of wheat. Wheat is currently classified based on physical kernel characteristics. Different classes of wheat are used for different products and have different values both in the domestic and international market. Consequently, accurate wheat classification is an important part of the grain marketing system.

Unfortunately, a number of factors are making it more difficult to accurately distinguish different classes of wheat. Over the years, breeders have crossed varieties from different classes to improve germination, plant vigor, yield, and disease resistance. Furthermore, the production of varieties in nontraditional areas and the comingling of varieties as wheat moves through the marketing system further complicates the process. All of these elements make it increasingly difficult to distinguish varieties solely on the basis of appearance.

FGIS has been working with various USDA agencies and an industry-sponsored Wheat Classification Working Group in an effort to improve the classification system. Significant progress has been made in the area of distinguishing soft and hard wheats based on an objective measurement of hardness.

The technology being developed to measure wheat kernel hardness also measures kernel weight and size, two factors that could potentially improve our ability to predict the milling quality of wheat. This would have great value to the flour milling industry and would enable the market to assess wheat value on a more precise measurement of end-use quality.

Efforts to develop a method to determine the quality effects of sprouting, also seek to provide the market with a means to better determine the value of grain. Producers, handlers, millers, and processors all agree that FGIS needs to provide the testing capability and standards to better predict the end use value of grain. Protein testing, single kernel wheat hardness, and the effects of sprout damage all serve to address this need.

APPROPRIATIONS

Mr. DURBIN. For fiscal year 1993, Congress appropriated \$11,397,000 for the compliance and standardization activities of FGIS. This was the same amount as allowed for fiscal year 1992. At least year's hearing, Mr. Foltz testified that if he did not receive the amount estimated for fiscal year 1993, which was \$11,582,000, he would have to institute severe restrictions in travel, training, equipment purchases, and consider consolidation of field offices. Exactly what measures were taken to keep within the funding limits provided for fiscal year 1993?

Mr. GALLIART. As stated in the question, appropriated funding for fiscal year 1993 was allocated at \$11,397,000, which is \$185,000 less than the \$11,582,000 that was requested.

The FGIS Administrator has budgeted significant decreases in three object classes—25.0 Other Services, 26.0 Supplies and Materials, 31.0 Equipment—which will more than satisfy the \$185,000 shortfall. The major reduction is in budgeted equipment acquisition.

APPROPRIATED FUNDS—OBJECT CLASS

Mr. DURBIN. For the record please provide object class tables showing the actual amounts expended for fiscal years 1991, 1992, and estimated for 1993.

Mr. GALLIART. We are pleased to provide the information for the record.

[The information follows:]

APPROPRIATED FUNDS—CLASSIFICATION BY OBJECTS

[In thousands of dollars]

	1991 actual	1992 actual	1993 estimate
Personnel compensation:			
11.1 Full time permanent.....	5,059	5,836	6,0536
11.3 Other than full time permanent	273	315	326
11.5 Other personnel compensation.....	131	151	157
11.9 Total personnel compensation	5,463	6,302	6,536
12.1 Civilian personnel benefits.....	1,057	1,182	1,226
13.0 Benefits for former personnel	0	0	0
21.0 Travel and transportation of persons.....	250	345	472
22.0 Transportation of things.....	62	44	49
23.2 Rental payments to others.....	54	15	52
23.3 Communications, Utilities, etc.	298	274	342
24.0 Printing and Reproduction.....	22	20	30
25.0 Other Services.....	1,651	1,857	1,788
26.0 Supplies and Materials	213	332	290
31.0 Equipment.....	464	873	612
99.9 Total obligations	9,534	11,244	11,397

COMPLIANCE ACTIVITIES

Mr. DURBIN. Have there been any civil penalties assessed relative to deceptive practices under the Federal Grain Inspection Act during fiscal year 1992?

Mr. GALLIART. During FY 1992, the Federal Grain Inspection Service assessed a grain firm a \$15,000 civil penalty for engaging in deceptive grain handling/loading practices.

The monies being paid by this firm are being deposited in the general fund of the U.S. Treasury, as prescribed by Section 10(e) of the U.S. Grain Standards Act.

DESIGNATED AND DELEGATED STATES AND AGENCIES

Mr. DURBIN. Most of the inspection work is done through designated and delegated states and agencies by the Federal Grain Inspection Service. For the record please provide a list of the states and the designated state and private agencies that have been delegated authority for weighing and inspection services. Have any of

these changed from fiscal year 1992? If so, what were the circumstances?

Mr. GALLIART. At the end of FY 92, 8 State agencies were delegated the authority under the U.S. Grain Standards Act to provide inspection and weighing services at export port locations; while 72 State and private agencies were designated to provide official services at interior locations. The number of agencies providing official services has not changed since the end of FY 92. We are pleased to provide a listing of these agencies.

[The information follows:]

STATE AND PRIVATE AGENCIES PROVIDING OFFICIAL SERVICES
UNDER THE U.S. GRAIN STANDARDS ACT

DELEGATED STATES -- 8

California Department of Food and Agriculture *
 Washington Department of Agriculture *
 Alabama Department of Agriculture and Industries *
 Minnesota Department of Agriculture *
 Mississippi Department of Agriculture and Commerce *
 South Carolina Department of Agriculture
 Virginia Department of Agriculture and Consumer Services *
 Wisconsin Department of Agriculture, Trade and Consumer Protection *

DESIGNATED STATES -- 12

Alaska Department of Natural Resources, Division of Agriculture
 Georgia Department of Agriculture
 Kansas State Grain Inspection Department
 Louisiana Department of Agriculture and Forestry *
 Maine Department of Agriculture
 Missouri Department of Agriculture
 Montana Department of Agriculture
 New York State Department of Agriculture and Markets
 North Carolina Department of Agriculture
 Oregon Department of Agriculture
 Utah Department of Agriculture
 Wyoming Department of Agriculture

DESIGNATED PRIVATE AGENCIES -- 52

Aberdeen Grain Inspection, Inc.
 Alton Grain Inspection Department +
 Amarillo Grain Exchange, Inc.
 J. W. Barton Grain Inspection Service, Inc. *
 Cairo Grain Inspection Agency, Inc.
 Central Illinois Grain Inspection, Inc.
 Central Iowa Grain Inspection Service, Inc.
 Champaign-Danville Grain Inspection Departments, Inc.
 Columbus Grain Inspection, Inc.
 Decatur Grain Inspection, Inc.
 Denver Grain Inspection
 Detroit Grain Inspection Service, Inc.

East Indiana Grain Inspection, Inc.
 Eastern Iowa Grain Inspection and Weighing Service, Inc.
 Enid Grain Inspection Company, Inc.
 Erie Grain Inspection Service +
 Farwell Grain Inspection, Inc.
 Fostoria Grain Inspection, Inc.
 Frankfort Grain Inspection, Inc. *
 Fremont Grain Inspection Department, Inc.
 Gibson City Grain Inspection Department +
 Grain Inspection, Inc. (Jamestown)
 Grand Forks Grain Inspection Department, Inc.
 Hastings Grain Inspection, Inc.
 Idaho Grain Inspection Service, Inc.
 Indianapolis Grain Inspection & Weighing Service, Inc.
 Jinks Grain Weighing Service (weighing only) +
 Kankakee Grain Inspection, Inc.
 Keokuk Grain Inspection Service
 Lewiston Grain Inspection Service, Inc.
 Lima Grain Inspection Service, Inc.
 Lincoln Inspection Service, Inc. 2/
 Little Rock Grain Exchange Trust 1/
 Los Angeles Grain Inspection Service, Inc. 2/
 John R. McCrea Agency, Inc.
 Memphis Grain and Hay Association 3/
 Michigan Grain Inspection Services, Inc.
 Mid-Iowa Grain Inspection, Inc.
 Minot Grain Inspection, Inc.
 North Dakota Grain Inspection Service, Inc.
 Ohio Valley Grain Inspection, Inc.
 Omaha Grain Inspection Service, Inc.
 Plainview Grain Inspection and Weighing Service, Inc.
 Quincy Grain Inspection & Weighing Service, Inc.
 D. R. Schaal Agency +
 Schneider Inspection Service, Inc.
 Sioux City Inspection and Weighing Agency, Inc. 2/
 Southern Illinois Grain Inspection Service, Inc.
 Springfield Grain Inspection, Inc.
 A. V. Tischer and Son, Inc. *
 Titus Grain Inspection, Inc.
 Tri-State Grain Inspection Service, Inc.

KEY:

All agencies are designated for inspection; those with an * are also designated for weighing.

The 6 sole proprietorships are indicated with a +.

The 5 conflict-of-interest agencies [Section (11)(b)(5) of the USGSA] are indicated as follows:

1/ trust 2/ subsidiary/trust 3/ subsidiary

RESEARCH AGREEMENTS AND GRANTS

Mr. DURBIN. In fiscal year 1991, over \$700,000 was spent on research agreements and grants by FGIS. What was the nature of each research grant executed during fiscal year 1992, and with whom were the contracts placed and what were the amounts for each?

Mr. GALLIART. I will provide the requested information for the record.

[The information follows:]

Research dollars for external contracts obligated for FY 1992 total \$668,235 for four major projects.

a. Title: Costs and Benefits of Cleaning U.S. Grains; Cost: \$497,000; Project Organization/Location: USDA Economic Research Service, Washington, D.C.

Project Description: The Food, Agriculture, Conservation, and Trade Act of 1990 mandated that the Federal Grain Inspection Service (FGIS) determine the costs and benefits associated with cleaning grain. In response, FGIS entered into a reimbursable research agreement with the Economic Research Service in USDA to coordinate and conduct the required economic study. The mandate specified that the project cover five commodities: wheat, corn, soybeans, sorghum, and barley.

b. Title: Purchase of Needed Single Kernel Hardness Testers; Cost: \$40,000; Project Organization/Location: Perten Instruments of North America, Reno, Nevada.

Project Description: The Food Security Act of 1985 mandated that FGIS develop a new wheat classification method. In response to this mandate, FGIS, the Agricultural Marketing Service, the Agricultural Research Service (ARS), and the Wheat Classification Working Group (composed of representatives from all sectors of the grain industry) have cooperated in the development of this new classification system. The net result of this effort has been the production of the commercial prototype of a single kernel seed hardness tester. This grant was the FGIS share of a joint purchase with ARS of six additional instruments for field testing this commercial prototype.

c. Title: Development of Rapid Biochemical Methods for Determining Insect Contamination in Grain and Milled Products; Cost: \$78,480; Project Organization/Location: University of Texas, Austin, Texas; Project Director: Dr. Barrie Kitto.

Project Description: Current inspection techniques for the presence of insect infestation in whole grain are limited to the detection of adult insects or to visible insect damage to kernels. Therefore, most insects that are located inside kernels are missed. In addition, tests approved for the detection of insect fragments in milled products are time consuming, very subjective, and require the use of potentially dangerous chemicals. Dr. Kitto has developed a rapid immunoassay for on-site testing of infestation in grain and milled products and this grant is a continuation of the support for this research.

d. Title: Machine Vision for Inspection of Corn and Soybean Kernel Quality; Cost: \$52,755; Project Organization/Location: University of Illinois Urbana, Illinois; Project Director: Dr. Marvin Paulsen.

Project Description: Advances in computer and robotics technology have led to a revolution in the development of image analysis systems for inspection. This project tests the application of image analysis technology to grain inspection.

Mr. DURBIN. Also describe for us what product you received from each of these grants.

Mr. GALLIART. I will provide for the record, the information requested.

[The information follows:]

a. Costs and Benefits of Cleaning U.S. Grains:

The first draft report on the "Costs and Benefits of Cleaning U.S. Wheat" was received in December 1992. This report is currently being reviewed by FGIS and other groups within the wheat industry. The remaining reports on corn, soybeans, sorghum, and barley are scheduled to be released during FY 1993.

b. Purchase of Needed single Kernel Hardness Testers:

Six instruments were received by Agricultural Research Service (ARS) at the Grain Marketing Research Laboratory in Manhattan, Kansas. These instruments have been calibrated and their performance was determined to be within required

specifications. The instruments have been transferred to FGIS in Kansas City where they will be used to analyze the wheat samples obtained in the National Wheat Hardness Survey—1992 Crop Year. In May 1993, these instruments will be used in a field test of the new classification system.

c. Development of Rapid Biochemical Methods for Determining Insect Contamination in Grain and Milled Products:

Because of Dr. Kitto's work, an immunoassay for all types of insect infestation is now commercially available and FGIS personnel are studying the performance of this test. A major difficulty with this commercial product has been the amount of time required for an assay. The total test time was approximately two hours. Work on the project by Dr. Kitto has decreased the analysis time to approximately one hour. In addition, he has made progress in the development of a modified assay that will require approximately 12 minutes. Shorter analysis times are necessary in order for FGIS to meet customer needs in the official inspection system.

d. Machine Vision for Inspection of Corn and Soybean Kernel Quality:

Results to date show that image analysis can be used to provide inspection results. Computer-operated inspection systems have classified both corn and soybean kernels as whole or broken, corn kernels as white or yellow and hard or soft, and soybeans as sound or damaged with accuracies that range from 85 to 95%. The major barrier to the implementation of this technology, into the inspection system, is the amount of time required. The analysis of each kernel requires approximately six seconds. Statistically valid analysis of a sample would require the examination of from 300 to 500 kernels which means that sample analysis times would range from 30 to 50 minutes. Current work is concentrated on decreasing this analysis time.

EXPORT ELEVATORS

Mr. DURBIN. For the record please provide a ten-year table showing the number of export elevators in which FGIS employees provide grain inspection and weighing services. Also provide the number of export elevators where delegated states handle services.

Mr. GALLIART. We are pleased to provide the information for the record.

[The information follows:]

Year	FGIS	Delegated States	Total
1982.....	55	30	85
1983.....	56	31	87
1984.....	66	31	97
1985.....	67	31	98
1986.....	67	30	97
1987.....	59	30	89
1988.....	60	27	87
1989.....	61	27	88
1990.....	60	26	86
1991.....	59	22	81
1992.....	59	22	81
1993.....	57	22	¹ 79

¹ February 1993.

Note.—The decrease in the number of export elevators beginning in 1986 is attributed to the closing of facilities by several corporations in the grain industry.

FEES INCREASE

Mr. DURBIN. Recently, the Federal Grain Inspection Service announced increases in fees for grain inspection and weighing services. This was done with little time allowed for industry to comment on the proposed fee hikes. Why weren't those most effected allowed time to comment?

Mr. GALLIART. FGIS did allow for a 30 day comment period. The fee increase was published January 8, 1993 as an interim rule with request for comment. The rule was to be effective February 1, 1993 and comments due by COB March 3, 1993.

The timing of the announced fee increase and use of the interim rule was dictated by the January 1, 1993 effective date for the Federal Pay raise. It has been long standing FGIS policy to maintain an adequate schedule of fees to recover the cost of operations. The federal pay raise constituted a significant increase in cost of operation which needs to be recovered. It was decided that an interim rule, effective February 1, 1993, was needed to implement the increase in time to generate the needed revenue for fiscal year 1993.

Mr. DURBIN. In late January, the fee changes were rescinded pending comments. When do you expect to announce final changes? Does the FGIS have enough surplus in its user fee account to cover the collection shortfall? How long do you anticipate that will last?

Mr. GALLIART. FGIS anticipates final changes will be announced within ninety days of the closing of the comment period March 3, 1993. This period will allow FGIS adequate time to reexamine the most current marketing, inspection, and financial information. We anticipate that the reserve in the short run will suffice to cover the losses, if any, during fiscal year 1993. FGIS reviews all fees on an annual basis which provides the basis for proposed increases, which in turn, maintains the retained earnings at a three month operating level.

NEW COMMERCIAL INSPECTION SERVICE

Mr. DURBIN. On May 1, 1992, FGIS implemented a new commercial inspection service. Its stated design was to provide grain producers, small to moderate elevators, processors, and others with a quick, inexpensive and reliable grain inspection service. Ideally, this service was to allow the applicant the opportunity to tailor-make an inspection for his purposes. This would reduce the cost and time of performing inspections. Would you tell us how many of these inspections have been requested, since this has been on a voluntary basis?

Mr. GALLIART. From May 1 to September 30, 1992, FGIS field offices and official agencies performed 39,314 official commercial inspections. In the first two months of FY 1993, these groups performed 24,617 official commercial inspections. We project that FGIS field offices and official agencies will perform over 100,000 official commercial inspections in fiscal year 1993.

Mr. DURBIN. Is all of this work done on a fee basis, and if so, how do you determine what the fees are since each individual inspection is tailor-made? Is it by the hour?

Mr. GALLIART. All official commercial inspections are done on a fee basis. The fees charged for this service vary depending on whether the service is provided by FGIS or by an official agency. FGIS charges an hourly fee for the service. Some official agencies also charge an hourly fee but most charge on a unit basis. Since the service is "tailor-made" for each user, official agencies usually

calculate a separate fee for each situation based on the complexity of the desired service.

Mr. DURBIN. After having almost a year doing this inspection, do you foresee any changes to how this program operates?

Mr. GALLIART. After nine months of operation, the program appears to be on-track. Current users are satisfied with the service and the number of requests for the service are increasing. It is too early to tell whether any program changes will be needed, but none are planned at this time.

Mr. DURBIN. Have you considered providing any of this service for export grain inspections?

Mr. GALLIART. No. The U.S. Grain Standards Act, as amended, restricts the manner in which export grain may be sampled and inspected. Also, the export grain market demands strict uniformity in the procedures used to inspect grain.

IMPACT OF CCC EXPENDITURES

Mr. DURBIN. In the past, FGIS has indicated that one reason there has been less domestic inspection is that less grain has gone into the Commodity Credit Corporation stocks. Projections by the Department are now that there will be significant increases in CCC expenditures during the next couple of years. How do you think this will impact your inspections and subsequent revenues?

Mr. GALLIART. As CCC has drawn down their stocks, there has been less opportunity for inspections on CCC-held grain. However, there is no correlation between increased inspections and increased CCC stocks. FGIS does not routinely inspect grain going into CCC's inventory. As CCC liquidates their stocks, the company acquiring the grain usually takes title instore. When the grain is located in their own facility, no inspection is requested. If the grain is not located in their own facility, the company may or may not request inspection when the grain is moved.

The only time that inspections directly relate to CCC stocks is when CCC relocates their inventory themselves or increases their export activity. At the present time, unless CCC increases their export activity, an increase in inspections or revenue is not anticipated.

EQUIPMENT EVALUATION

Mr. DURBIN. Each year FGIS analyzes and evaluates new equipment that will be useful in improving official inspection activities. What pieces and how many pieces of equipment did you evaluate during fiscal year 1992 and what is your status for fiscal year 1993?

Mr. GALLIART. In fiscal year 1992, FGIS approved one equipment model for use in official inspection. This model is an updated, lower cost instrument that can be used interchangeably with a previously-approved Near Infrared Transmittance instrument for soybean protein and oil and wheat protein determinations.

Because of the high cost of implementing and supporting redundant types of equipment in the official inspection system and the potential inconsistencies among instrument types, FGIS is limiting

equipment evaluations to those that have clear potential for improving official inspection performance and cost-effectiveness.

Mr. DURBIN. How much of this work is coordinated through your Kansas City office?

Mr. GALLIART. All of equipment evaluation activities described above are coordinated through the FGIS Technical Center in Kansas City, Mo.

KANSAS CITY EXPENDITURES

Mr. DURBIN. Please tell us how much you expended for the Kansas City Office for each of the past three years.

Mr. GALLIART. We will be pleased to provide the information for the record.

[The information follows:]

Fiscal year:	
1990.....	\$3,958,845
1991.....	3,934,228
1992.....	4,457,049

NEW EQUIPMENT

Mr. DURBIN. For the record please provide a list of all new equipment purchases that you anticipate making during fiscal year 1993.

Mr. GALLIART. I will submit that for the record.

[The information follows:]

Item:	Cost
Micro-Computer Equipment/Software	\$99,000
NIRT (Near-Infrared Transmittance)	450,000
Preparation Equipment (Chemical Reference).....	14,000
Environmental Chamber.....	15,000
Density Separator	10,000
Document Scanner and High Resolution Work Station	10,000
Grinder Replacements	8,000
Alpha-amylase Analyzer	6,000
Total	612,000

AFLATOXIN TESTING

Mr. DURBIN. We are well aware that FGIS does a significant amount of aflatoxin testing for its clients. Can you please provide a table showing the five-year historical trend of the numbers of requests for aflatoxin testing by FGIS?

Mr. GALLIART. We are pleased to provide the information for the record.

[The information follows:]

Aflatoxin inspections

Fiscal year:	
1988.....	16,934
1989.....	49,171
1990.....	60,867
1991.....	48,317
1992.....	59,372

GRAIN QUALITY INCENTIVES ACT

Mr. DURBIN. At last year's hearing, it was stated that implementation of the Grain Quality Incentives Act of 1990 was not yet com-

plete, and that one of the priorities was working on the National Conference on Weights and Measures. Can you bring us up to date on activities related to implementation for the Grain Quality Incentives Act and include with that a copy of the action plan and status of each of the activities within that plan?

Mr. GALLIART. I will provide the plan for the record.

[The information follows.]

ACTION PLAN

Collaboration
of the
National Conference on Weights and Measures (NCWM)
and the
Federal Grain Inspection Service (FGIS)
for the
Standardization of Commercial Grain Inspection Equipment

TASK	COMPLETION (* est.)
Establish organizational structure and priorities	
Initial meeting with NCWM Executive Committee	1/91
Organizational meeting with NCWM, NIST and FGIS	4/91
Determine measurements to standardize	4/91
Determine priorities for each measurement	4/91
Establish Technical Sectors for Grain Inspection Equipment	7/91
Determine general membership structure	8/91
Invite NCWM and industry participation	9/91
Appoint committee members	11/91
Initial committee meetings	12/91
Standardize Moisture Measuring Equipment	
Review H-44 specifications and tolerances and revise	11/92
Develop test procedures for moisture equipment	11/92
Adopt specifications, tolerances, and test procedures	7/93*
Initiate NCWM evaluation of moisture equipment	10/93*
Develop calibration maintenance program	1/94*
Initiate calibration maintenance program	6/94*
Standardize wheat protein analyzers	
Develop specifications and tolerances for H-44	11/93*
Develop test procedures for wheat protein analyzers	11/93*
Adopt specifications, tolerances, and test procedures	7/94*
Initiate NCWM evaluation of wheat protein analyzers	10/94*
Develop calibration maintenance procedures	1/95*
Initiate calibration maintenance program	6/95*
Develop routine performance verification methods	11/94*
Adopt routine performance verification methods	7/95*
Standardize dockage testers and test weight apparatus	*Not yet planned*

OFFICE CONSOLIDATIONS

Mr. DURBIN. As you are well aware, the Department is under considerable scrutiny to reorganize. In the past several years there has been several office consolidations within the Federal Grain Inspection Service. Did any consolidations take place during fiscal year 1992, and do you propose any for fiscal year 1993? If so, where?

Mr. GALLIART. In the spring of 1992, we closed our Saginaw, Michigan, Field Office. This resulted from a change in the marketing patterns in that area. On February 1, 1993, we downgraded our Indianapolis office from an independent field office to a suboffice reporting to the Peoria Field Office. The workload from the Indianapolis office was distributed to four adjacent field offices. We plan on eventually phasing out the suboffice by relocating the remaining Indianapolis staff to other revenue-producing positions.

The Indianapolis action is part of our overall plan to optimize the utilization of resources and maintain an efficient and cost-effective program. Office closures and conversions reduce direct costs and also enable us to reallocate our workload to strengthen the remaining offices. The Indianapolis action strengthened four other offices and provides greater flexibility in scheduling employees and managing resources. For example, the Toledo Field Office successfully uses seasonal and intermittent employees to manage operating expenses in a fluctuating export market. Expanding the office's responsibilities provides even greater staffing flexibility. When export activities are slow, staff can be utilized for other activities in Ohio and parts of Indiana and Illinois, formerly serviced by the Indianapolis office.

Mr. DURBIN. Mr. Skeen?

IMPORTS

Mr. SKEEN. Thank you, Mr. Chairman.

Mr. Galliart, I have additional questions on the grain quality issue. How much grain do we actually import in this country? Is it a big import?

Mr. GALLIART. It isn't. I can't give you a specific figure.

I was reminded of something I wanted to share with you, if I may.

Mr. SKEEN. Go ahead.

STANDARDS

Mr. GALLIART. We have made some inroads in this matter of grain quality in recent years. We have changed several of the standards. Wheat and soybeans standards, for instance, were amended to tighten the limits on foreign material for the first, second, third grades. That has helped and will help in the future. Other changes to the standards are under consideration.

Mr. SKEEN. What we are getting at here is, are the standards we apply in the United States for grain that is being exported the same or equal to other countries' standards? Who has the best standards? Give me some estimation.

Mr. GALLIART. Well, we think we have the best standards.

Mr. SKEEN. You indicated a while ago that the testing standards of the Canadians was much better than ours.

Mr. GALLIART. I didn't mean to imply their standards are better.

Mr. SKEEN. I got that implication from what you were saying.

Mr. GALLIART. What I meant to convey is that the Canadian government has control over the grain that is shipped out of the country. And they have a system whereby the grain is cleaned starting at the gathering points.

Mr. SKEEN. So it is a different type of process?

Mr. GALLIART. Their grain marketing system is under government control; ours is not.

Mr. SKEEN. That is what I am getting at. What is the difference in our standards and the way we apply them?

Mr. GALLIART. I think the standards themselves aren't all that much different. It is just that the Canadians—I repeat myself—have this system whereby—

Mr. SKEEN. The Government—

Mr. GALLIART. The Government is involved.

Mr. SKEEN. What about the Argentinians and other big grain-producing countries?

Mr. GALLIART. The government isn't involved to the same degree, but to some degree.

Mr. SKEEN. Is there some recognition in your department of the standards other governments apply to grain shipments?

Mr. GALLIART. To what?

Mr. SKEEN. Is there any concern in your department about the standards that other countries apply to grain exports? Is this a concern?

Mr. GALLIART. No, but we have a good idea what other countries use as their standards.

Mr. SKEEN. I would have thought there would be some interest in the comparison of standards.

PESTICIDE RESIDUE TESTING

Let's go to what the EPA Administrator has stated, that trace levels of pesticide residues in food pose no health problems, yet she has listed 35 agricultural chemicals whose use could be prohibited, and struck down by application of the Delaney clause. Will this have any affect on your inspections?

Mr. GALLIART. I don't think it is going to have an effect on our inspection activities, but I will give you a little background on what we are doing with regard to chemical residues.

About two years ago, we got involved in testing for pesticide residues. It is quite a sophisticated series of testing.

Mr. SKEEN. You have increased your ability to detect traces of insecticides, have you not, over the years?

Mr. GALLIART. Yes, we have. We now have a program—our equipment and staff is set up now to test for pesticide residues. At this point we are conducting a survey of what is in the grain with regard to residues. We are not at this point offering inspection service for pesticide residues. That will require adoption and use of quick tests.

The equipment we have now is time-consuming, sophisticated and accurate.

Mr. SKEEN. They are much better than the ones you were using 10 or 15 years ago?

Mr. GALLIART. We weren't doing it 10 or 15 years ago.

I think the key to testing for pesticide residues, at least at this time is to get some idea of just what residues are in grain. We are testing now for about 19 pesticide residues.

Mr. SKEEN. Have you found any problem?

Mr. GALLIART. All of our findings indicate that pesticide residue levels in the grain that we are testing are much below the EPA levels.

Mr. SKEEN. Below the EPA standard?

Mr. GALLIART. Yes.

Mr. SKEEN. Or limits?

Mr. GALLIART. Yes.

NAFTA

Mr. SKEEN. What problems are you going to have if NAFTA is initiated as far as the border? Are you going to have to increase your personnel there?

Mr. GALLIART. Well, we don't think so.

Mr. SKEEN. You don't contemplate or expect that would be a problem?

Mr. GALLIART. Whatever additional inspection activities are involved, if any, we will handle it.

Mr. SKEEN. Does your budget incorporate enough funding to take care of that kind of expansion?

Mr. GALLIART. We don't anticipate—

Mr. SKEEN. You haven't got a budget yet, but are you contemplating asking for additional inspectors?

Mr. GALLIART. We don't anticipate any problem handling additional inspection activities.

Mr. SKEEN. It is going to be a dry season.

Mr. GALLIART. FGIS has a dry season year in and year out.

USER FEES—INCOME

Mr. SKEEN. Do you charge for grain storage on a fee basis? Do you inspect on a user-fee basis?

Mr. GALLIART. Yes.

Mr. SKEEN. How successful has that program been?

Mr. GALLIART. Very successful. It works. If I understand your question.

Mr. SKEEN. We have been talking about user fees for a long time. You are one of the few agencies that is using it. How long have you been doing it?

Mr. GALLIART. FGIS has relied on user fee funding since 1976.

Mr. SKEEN. But it is a working system for you?

Mr. GALLIART. Yes.

Mr. SKEEN. What kind of income do you get from user fees?

Mr. GALLIART. Between 29 and 30 million a year.

Mr. SKEEN. What percentage of your budget is that?

Mr. GALLIART. That is about 76 percent.

Mr. SKEEN. Seventy-six percent of your budget?

Mr. GALLIART. Yes.

Mr. SKEEN. Thank you, Mr. Chairman.

Mr. DURBIN. Mr. Thornton?

TESTING TOLERANCES

Mr. THORNTON. Thank you, Mr. Chairman.

I want to congratulate you on opening the question of fairness in testing of imported and exported materials, and also to my colleague Mr. Skeen for exploring the question of tolerance.

What tolerance do you give in inspections of grain with regard to aflatoxins, if any?

Mr. GALLIART. The Food and Drug Administration has the guideline of 20 parts per billion.

Mr. THORNTON. Is there a similar guideline for mycotoxins?

Mr. GALLIART. No, not as far as FGIS is concerned.

Mr. THORNTON. As a matter of preparation for the next question, as President of the University of Arkansas I was Chairman of the National Academy of Science committee which studied the paradox of the Delaney Clause in pesticides on food.

It was the view of our committee that it was a patchwork-quilt regulation system which allowed naturally occurring carcinogenic substances, like aflatoxin, to be present at a tolerable level and excluded a new invention of a pesticide that had a risk of 10 to the minus 10. It disallowed that product from coming to the market even though it would replace a product that was grandfathered in and had a risk of 10 to the minus 5.

It was the conclusion of our committee that rather than the patchwork pattern of irregular enforcement, that a uniform pattern of negligible risk, that is, one per one million. Over a 70-year lifetime, should become the standard for the EPA. The EPA adopted that standard with, I think, good results.

Do you have any views as to whether a zero-risk tolerance for part of the problem is better than a uniform risk assessment for all of the problem?

Mr. GALLIART. Congressman Thornton, we follow the guidelines set up by the Food and Drug Administration, and beyond that we really don't get involved.

Mr. THORNTON. So you don't have an opinion, you just simply do what they tell you to do?

Mr. GALLIART. I have an opinion, sir, but I am not so sure that what I personally would have to offer would be all that substantive as far as your question is concerned.

I do think that we have been very diligent in working with the Food and Drug Administration in this particular area with regard to aflatoxin. As I mentioned in my statement, all the corn that leaves the United States is inspected for aflatoxin, except in those cases where the buyer and seller agree not to have it tested by FGIS.

Mr. THORNTON. I know. It is a naturally occurring carcinogenic substance and therefore not subject to the rule of the Delaney Clause, is that correct?

Mr. GALLIART. Well, I am just not——

Mr. THORNTON. So, the fact that a tolerance is permissible, a reasonable tolerance is permissible, which is a judgment made by someone in Food and Drug Administration or the EPA, is that correct?

Mr. GALLIART. Twenty parts per billion.

Mr. THORNTON. Yes. And my question is simply intended to highlight the different results that are obtained when you apply different tolerances to substances. Depending on the nature of the substance, products grandfathered in could be replaced by safer products and yet a strict interpretation of the law would prevent that from occurring. Do you see the reasonableness of my statement?

Mr. GALLIART. I understand what you are saying, Congressman. I can only say to you that we follow this particular rule for testing for aflatoxin. Beyond that, we have not—

Mr. THORNTON. You do apply the Delaney Clause when you are testing for pesticides, I guess you do, because even though the EPA accepted the National Academy of Sciences' study on negligible risk, a recent court decision has reversed that.

Mr. GALLIART. We only test for aflatoxin. If it is over 20 parts per billion, we report it to the Food and Drug Administration.

Mr. THORNTON. Thank you very much.

Mr. DURBIN. Mr. Peterson?

OFFICIAL AGENCIES

Mr. PETERSON. Thank you, Mr. Chairman.

I am new to this aspect of inspection, so bear with me if I ask some rather elementary questions.

Do you use any of your certified contractors in your export inspection process?

Mr. GALLIART. Certified contractors—

Mr. PETERSON. Don't you have private contractors that inspect domestically?

Mr. GALLIART. The only contractors that we work with in the examination of grain for export purposes are State Departments of Agriculture with which we have agreements. There are eight States we work with. They do the inspection and we supervise their work.

Mr. PETERSON. And is their quality as high as yours?

Mr. GALLIART. Yes.

Mr. PETERSON. Is their work cheaper than yours?

Mr. GALLIART. In some States, their fees are less. Some are not.

Mr. PETERSON. If it can be done cheaper than how you are doing it, are we looking for the lowest cost inspection process?

Mr. GALLIART. Well, the industry is always looking for the lowest cost and we certainly try to conform to that. The State of California, for instance, is one of our cooperators, and they assess a fee for grain that is shipped out of California. And whether an industry member would ship his grain from the Midwest to California to take advantage of a fee that happened to be a little bit less is up to that particular shipper. I don't think that happens.

COST OF SERVICES

Mr. PETERSON. What I am looking at here is that it seems to me what we are doing is adding a cost to the grain that we are exporting. And I guess my problem is, who are we inspecting this for? We are inspecting this grain to go to a buyer; I assume it is a foreign buyer. Why aren't they concerned—why aren't they paying for this?

Mr. GALLIART. In the final analysis they may be. It is a matter of contracting.

Mr. PETERSON. Or why are they not doing the inspections when it gets there?

Mr. GALLIART. When we inspect a shipment of grain, we issue a certificate of grade. The industry relies on that certificate, what they call a certificate final, to certify the quality of grain when it leaves this country. The agreement between the buyer and seller is based on the certificate final.

So it would seem to me, and I think it pretty well proves out over the years, that the certificate we issue adds value to the export.

If I may add a point to the question, we have spent a good deal of time over the years visiting with importers around the world with regard to the way we do things here in this country and the way we inspect U.S. grain. We not only have gone over there to explain our procedures, we have invited them to come over here to examine our procedures.

And we think that has had a payoff. We in FGIS believe, and I think the industry will agree, that we are doing a very good job in identifying quality and weights accurately.

Mr. PETERSON. Does the inspection cost decrease our competitiveness in the marketplace?

Mr. GALLIART. There is a cost. And you have to consider all costs as part of the impact against the competitiveness of U.S. grain—

Mr. PETERSON. Any grain that we have imported into this country, do we get such a certificate as the one we issue from the originating country?

Mr. GALLIART. Well, there are countries that do issue certificates for the grain they sell.

Mr. PETERSON. And we reinspect it?

Mr. GALLIART. We don't reinspect it coming in. We would if we were requested to do so.

Mr. PETERSON. Well, I don't know. It just seems like we are kind of doubling our effort here. I don't see why we are being so careful from our Federal level. It seems like we have a product here that belongs to someone else that we are inspecting. It belongs to a producer, I presume, or an exporter. And we are giving him a certificate. It seems like he could give that certificate himself and provide whatever services that the buyer wishes to have.

HISTORICAL PERSPECTIVE

Why are we the certification agent? We don't do it for trucks. We don't do it for marshmallows. We don't do it for other things. Why are we doing it in this area?

Mr. GALLIART. In the first place, it is a mandate that the grain that leaves this country must be inspected and weighed.

Mr. PETERSON. That is not a good answer, because I want to know why the mandate was made. The historical perspective. You have to forgive me, I haven't followed this all my life as you have. What created the mandate?

Mr. GALLIART. In my memory, grain has always been inspected leaving the United States. There was a time many years ago when grain was inspected by private entrepreneurs. And FGIS, under another name at that time, simply supervised the work that was done.

And the industry didn't object to this. The fact is the industry used those certificates from the beginning of the inspection and weighing process. Back in the mid 1970's there was a problem with improper inspection and weighing of grain. It became quite an issue. And as a result of improprieties in inspecting and weighing grain, and many hearings and other considerations, a mandate was established to provide that grain shipped out of this country must be inspected and weighed by FGIS or by a designated State.

I am reasonably sure, Congressman, to answer your initial question, that many systems, other systems might work. But I will say to you again, as I said earlier, that this system in our view, and in the view of the industry, has worked well.

Mr. PETERSON. I appreciate your answers.

Thank you, Mr. Chairman.

Mr. DURBIN. Thank you very much.

Mr. Myers?

FOREIGN COMPLAINTS

Mr. MYERS. Thank you, Mr. Chairman. I apologize for getting here late.

I am sorry I missed the first part, but I understand there was some discussion about the violations or the disagreement of importers of grain and the number of violations or disagreements or complaints. You were down to 15 complaints, last year, is that right?

I remember years ago the number of complaints was one of the big things we always battled. To what do you attribute the success: the good job you are doing down there, or less exports?

Mr. GALLIART. There are a couple of things, Congressman Myers, that impact on it. One, we have spent a lot of time visiting other countries that buy our grain to inform them about the way we do things, the tools and the procedures we use to inspect grain.

Also, many of these buyers have visited us more than once over the years. Also, the quality of grain in the last several years has been very good. I think buyers now are much more sophisticated than they were in the past about what they want and what they put in their contracts. I think these are some of the contributing factors.

There is another contributing factor. FGIS can't go to the importer if he has a complaint and make some kind of settlement. We can simply tell him about our findings that we had at the time the grain was inspected and what we find in our file samples when he

complains. And many times, most times, we find that our inspections and weighing activities were accurate.

If we do find something in error, then we certainly notify the buyer and the seller.

GRADING SYSTEMS

Mr. MYERS. There has in the past been some suggestion there might be a difference in the evaluation of grading, that their grading system might be different. People who buy number two actually buy number three but expect to get number two quality and things like that. Is that still going on?

Mr. GALLIART. That is a good point, and that is true, that happens. Their interpretations of what is damaged, what is dirty, what has foreign material, and our interpretations differ at times. And that is why, again, I mentioned to you that it is important that we work with these people, let them know what our grading system is like and what we are doing.

Actually, there have been a number of occasions where an importing country has adopted our standards and procedures. As a matter of fact, not too long ago, working with one of the marketing cooperators, a special laboratory was set up in Cairo, Egypt. Two more are being set up in Egypt using our equipment and our standards.

So that is another reason why I think we have fewer complaints.

PAST PROBLEMS

Mr. MYERS. Since I missed your presentation, I have to go back to the recollection of the past, and I know there have been accusations in the past of something being injected into the shipment. Is there any evidence of that happening—gravel or sand being added to the shipment to add weight?

Mr. GALLIART. We have some new laws that preclude the deliberate addition of foreign material to the grain. But there is nothing illegal about blending two different qualities of grain. That does occur.

Mr. MYERS. Following up on some of the questions by my colleagues, do any buyers now have an inspector here at the time the load is shipped?

Mr. GALLIART. Some do. There are those who will come and check one or two shipments to just see how we do things. They may take samples back with them and check them back in their laboratories. It does happen.

Mr. MYERS. I do remember, going back to the past again, some buyers setting their own bottoms, and they would not be clean, yet they would blame us for, again, the quality of the shipment because they didn't clean the holds out of the ship when they had it loaded. Do we try to make sure that doesn't happen in the future?

Mr. GALLIART. We have historically checked the ships before we load the grain. We are very thorough about checking the ship holds before we allow grain to be loaded.

USE OF RADIATION

Mr. MYERS. Regarding the discussion about aflatoxin, are shipments routinely fumigated when they go into certain countries? Is there any consideration given to using radiation or radiating the shipment?

Mr. GALLIART. Shipments are not radiated, but there are shipments that are fumigated on a regular basis. A buyer may stipulate that in the contract.

Mr. MYERS. But there is no consideration being given to radiating grain? It would cover a multitude of sins, wouldn't it? Is there any testing that you are aware of being done?

Mr. GALLIART. Not to my knowledge.

Mr. MYERS. Why wouldn't it work? If you can't answer that, we will have to ask somebody else, I guess. We use it in meat, we use it in a lot of materials that are perishable.

Mr. GALLIART. Some many years ago, the Soviets were working on irradiating grain. An expert from the department went over there and examined the procedure, and concluded that although it did work, handling that amount of grain at the speed that one handles grain seemed to be a pretty awkward procedure.

Mr. MYERS. It only takes a second.

Mr. GALLIART. The depth of the grain and the speed of the conveyors are two of a number of considerations. Of course, that was a number of years ago. I suspect that the state-of-the-art has improved since then. But to answer your question, we are not working in the area of radiation of grain. I just cited that as an example.

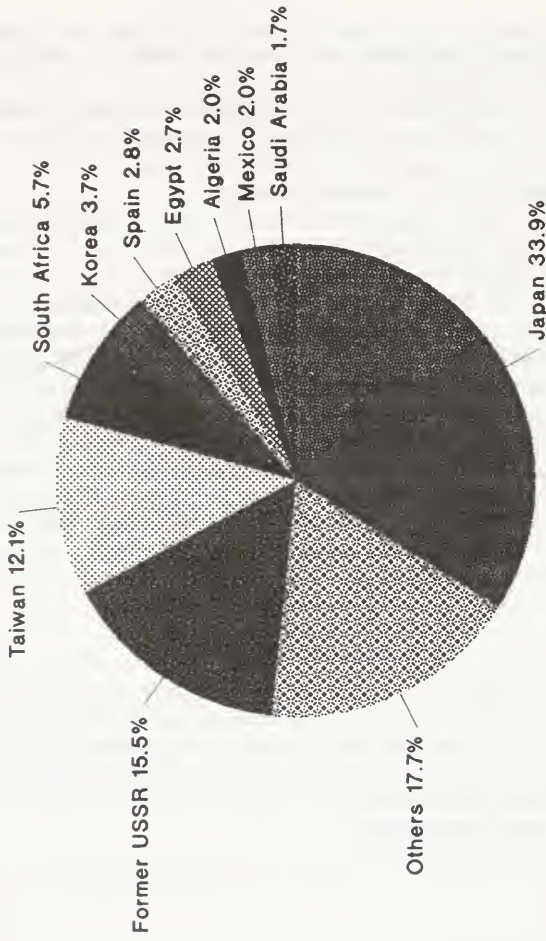
CORN AND SOYBEANS

Mr. MYERS. Which nations would you say are the top export nations for United States corn and soybean commodities?

Mr. GALLIART. The following two tables show the top ten countries by percentage of corn and soybean exported from the United States for fiscal year 1992.

[The information follows:]

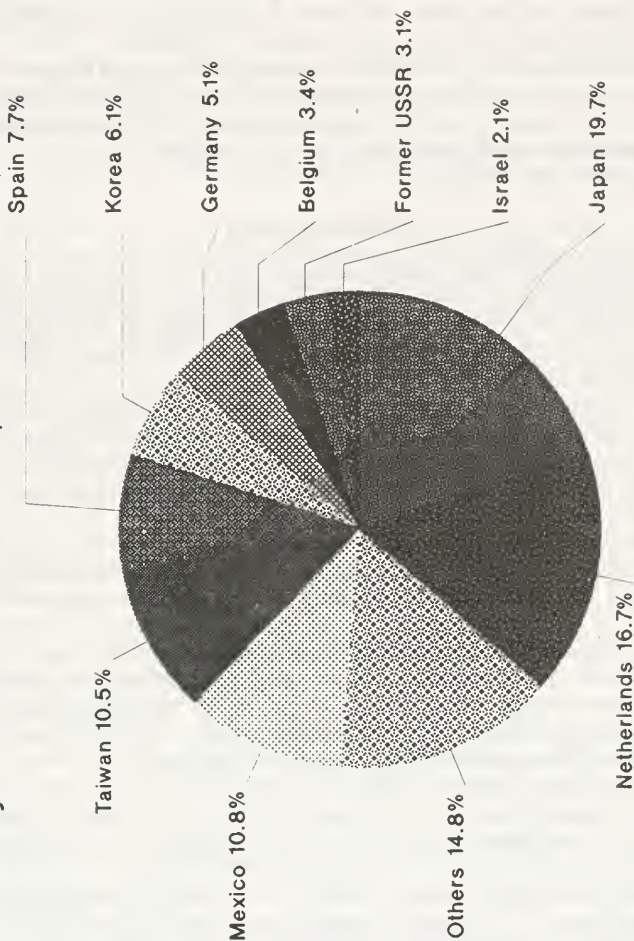
U.S. CORN EXPORTS Inspected by the Federal Grain Inspection Service, USDA



FY 1992

U.S. SOYBEAN EXPORTS

Inspected by the Federal Grain Inspection Service, USDA



FY 1992

Mr. MYERS. What percentage of the corn exported from the U.S. is grade number three?

Mr. GALLIART. For fiscal year 1992, approximately 54 percent of the corn exported from the U.S. was grade number three.

Mr. MYERS. Are exports of corn and soybeans up this year or down so far?

Mr. GALLIART. For the time period covering October 1, 1992 through March 4, 1993 compared to October 1, 1991 through March 4, 1992, corn exports are up approximately 24 percent while soybean exports are up approximately 15 percent.

Mr. DURBIN. Mr. Pastor?

SUNSET—IMPACT

Mr. PASTOR. Thank you, Mr. Chairman.

As I understand it, the FGIS will expire due to sunset provisions in the legislation. What would be the impact in the market, and how would it hurt the American farmer to not have these services at our disposal?

Mr. GALLIART. Well, I go back to something I said a few minutes ago, and that is, we think FGIS is doing a very good job in identifying the quality of the product that is shipped out of this country, and we think FGIS is doing a very good job in assuring that the weights are accurate leaving this country.

I think that if I were a farmer, I would be more satisfied with the knowledge that we have an inspection and weighing system that helped ensure that the buyers of my grain were satisfied and happy.

Mr. PASTOR. Why doesn't the concept of buyer beware suffice? Why can't we use the marketplace and its demands to help insure quality? Essentially, what you are doing is weighing and grading and determining the quality of the product so that the importer is satisfied that the contract is going to be fulfilled.

Now, why wouldn't the idea of buyer beware, that the importer himself or herself look at the quality, the right weight, and he or she pay for that inspection 100 percent rather than 75 percent be workable?

Mr. GALLIART. Congressman Pastor, it would be wrong for me to sit here and say it wouldn't work. Quite frankly, I suspect there are a number of systems that might work. I can only tell you that on the basis of our experience, and I think I can honestly say to you on the basis of the experience of the industry and foreign groups that know about our system, that the current system provided the accurate information on U.S. grain quality and weight needed by our customers.

EXPORT INSPECTIONS

Mr. PASTOR. I also read in your testimony that I guess grains that are exported by truck either to Canada or Mexico are not inspected. Now, how do we protect the Mexican or Canadian importer in that case?

Mr. GALLIART. I will go back to the mandate. In 1976, the mandate, or the amendment to the U.S. Grain Standards Act, provided

that had grain leaving the United States would be inspected and weighed except for those two countries you just mentioned.

The reason for that is there was a tremendous amount of commerce across the borders, between the United States and Canada and Mexico.

That doesn't necessarily mean grain isn't inspected that goes to Canada and Mexico. We have an efficient grading system in the interior that is provided by States and the private entrepreneurs that I mentioned to you.

Those agencies inspect grain on request. Most of the grain that goes into Mexico is officially inspected by those members of the official system.

Mr. PASTOR. We have this program to ensure that the quality and the quantity of the grain is guaranteed except for shipments to Canada and Mexico. And, you say they are being inspected and weighed to ensure that the importer is getting the quality and amount agreed upon. Couldn't we do that with other countries?

Mr. GALLIART. As I mentioned to you earlier, anything is possible to consider, Mr. Congressman, but I will say to you that the grain that goes to Mexico is inspected officially and we supervise it.

Mr. PASTOR. What I am getting to is this. Basically, and I am brand new at this game, but looking at it I am saying, we have a Federal agency where user fees are paying for 75 percent of inspection, while the other 25 percent is subsidized by the Government. The purpose of grain inspection is to ensure that the grain that is leaving the United States is of the quality and the amount the importer from the foreign country agreed to buy.

So basically we are policing for an importer who is not an American, and I wonder how this benefits the American farmer or the American public. We are doing this for a foreigner. We are basically enforcing a contract for a foreigner.

And I wonder, to what benefit is it to the American taxpayer, who is funding 25 percent of—I don't know how many million.

Mr. GALLIART. About 75 percent of our total funding comes from user fees.

Mr. PASTOR. So I am saying, what is it all about?

Mr. GALLIART. My colleague here is very eager to respond.

Mr. SHIPMAN. Thank you. There are a couple of comments I would like to make.

First of all, the actual inspection activity that is done for the export grain is 100 percent covered by user fees, appropriated funds are not used for that. The appropriated funds are used for developing the standards, which are used by the whole marketplace.

Farmers, when they bring grain to the elevator to sell it, are selling it primarily by grade or factors that are described under these standards. Appropriated money is also used to fund compliance activity for those private companies that are authorized to provide service.

We go out and make sure that they are abiding by the rules and playing fairly. So when it comes to the actual export market, it really is funded 100 percent through user fees.

Why is it done? The exporter is really in the driver's seat on that one to the extent that they really want that certificate, so that

they can market and merchandise the grain as soon as it is loaded on the boat. They have an impartial government-backed certificate that they can use. In some cases, it is an actual Federal employee providing the service; in some cases, it is a State employee. But the industry is supportive of that effort. And we charge a fee to provide that service.

So, yes, the importer at the other side could be doing the testing, but you have an enormous delay in actually merchandising the grain, the terms of credit, and so forth. The Canadians work the same way in that they issue a certificate final at the time of loading. It is just been a historical practice that we give the final certificate when it is loaded for merchandise.

Mr. GALLIART. One last point, if I may. My colleague triggered a thought in my mind about the whole matter of grading at destination. An exporter has a shipload of grain, a million and a half, two million bushels, that docks at his customer's factory or processing plant.

And if the importer would grade that and if the transaction was made on the basis of that grade, that shipment would be very much out of position for that exporter. The exporter has the ship over there, he has the grain over there. If the importer grades it and finds it wasn't what he bought he would settle with the exporter for something less.

PROGRAM PURPOSE

Mr. SKEEN. Will the gentleman yield?

Let's go back to the initiation of FGIS in the 1970s. It was a result of the big scandal of the low quality of grain shipped from the United States. The benefit of the whole program was to strengthen the American reputation of grain producing, of which the Federal government owns a large interest. And I recall that is why we initiated the program.

It was to protect the quality and help us compete with other countries. So, it benefited the farmer directly.

Mr. PASTOR. May I regain my time?

Mr. SKEEN. I thank the gentleman for yielding.

USER FEE—PROGRAM COST

Mr. PETERSON. I understand the monies that are used for the actual inspection are paid by the exporter who is paying that fee, it is a user fee. I still go back to the question of how much does this add to the lack of competitiveness of our product in the world market?

Are these fees high enough so a potential importer will say, Hey, I am going to Argentina? This is my concern. Are we adding a major cost to this product, or is this an incidental cost?

Mr. GALLIART. No question it is a cost. If Argentina can sell for less, again, we are dealing with government subsidies. There are reasons other than our fees that might impact on the ability of the United States or a U.S. exporter to sell grain competitively.

Mr. DURBIN. Maybe this question might put it in perspective. We charge \$44 million to the exporters for the FGIS inspection services

involved in classifying and grading the grain. What is the total value of exported grain inspected by FGIS each year?

Mr. GALLIART. I will have to furnish that for the record.

[The information follows:]

According to the Foreign Agriculture Trade of the United States (FATUS), published by the Economic Research Service, the value was approximately \$18.6 billion for fiscal year 1992.

Mr. PASTOR. I yield back.

Mr. SMITH. Since I was the author of the 1976 act——

Mr. DURBIN. So you are the one.

PROGRAM PERSPECTIVE

Mr. SMITH. And the amendments finally got through in 1988 to prohibit adding foreign material at export points, let me try to put a couple of things in perspective.

First, let's get an answer to his question. You have a railcar with 4200 bushels on it arriving at an export point. What does it cost, to inspect 4200 bushels?

Mr. GALLIART. A railcar arriving at an export house?

Mr. SMITH. Yes. What does that cost? It is not even a small fraction per bushel, is that right?

Mr. GALLIART. That is right.

Mr. SMITH. It could have been inspected in Des Moines, Iowa, before it left or at the export point. But at some point all exports are inspected.

Mr. GALLIART. Yes.

Mr. SMITH. What I am getting at is, that the cost of our grain inspection program is virtually nothing.

Mr. GALLIART. That is right.

Mr. SMITH. To start with, the largest contribution we have to earning dollars in foreign markets is grain exports. But for that, our balance of payments would just be hundreds of billions of dollars worse off than they are now. So the government has an interest in our grain exports. We depend on private exporters, some of which are not American companies, to sell this grain, our grain; and to protect the reputation of our grain in foreign markets.

So we are different from Canada where they wash their grain and the government agency stands behind it, if there is any problem. So who would buy American grain unless we had an inspection system? They just wouldn't buy it. We would be a residual supplier.

We got into a situation where exporters were adding rice hulls to wheat in order to bring the FM up to the maximum permitted by contract. I saw it overseas. When it came off of the belt, the rice hulls are flying all over the air, and the buyers said, "This is trash, it comes from the United States of America, we don't want to buy it anymore." They were saying that about United States wheat. And the same thing for corn, although corn has less problems than wheat does.

Its system didn't work and buyers of our grain complained. So we finally got the law passed that you can't add foreign material. You can blend but you can't add foreign matter.

Now the process is working. And I have been sitting here on needles and pins wanting you to say that. When somebody asked you how many complaints on grain contracts you received last year, it was only 15. It has been coming down because the law was changed. And we ought to advertise that the law has been changed. We no longer permit people to do what they used to do with our grain when it is sold overseas.

Now, Mr. Myers and I were just in Estonia, and we saw them unloading grain that was obviously Canadian washed wheat. It came off the belt and into the cars. There was no foreign material. But I did ask the person that was running the unloading facility in Estonia if he had gotten many complaints about grain quality. He said, "We get some, still get some complaints about U.S. corn." I didn't see him unload any corn so I couldn't tell first hand.

But are you getting some complaints about U.S. corn? Is it mostly corn or is it also wheat?

Mr. GALLIART. It is a mix, wheat and corn.

Mr. SMITH. But you have found when you examine those that they have not added foreign material at export points, if they were within the tolerance?

Mr. GALLIART. Yes. A good bit of the problems with the corn is, as you indicated, it breaks. Every time you move it or handle it, you have breakage.

Mr. SMITH. Well, I guess that is about all I have to say. We are a lot better off than we were, aren't we? We have finally gotten a grain inspection law so that foreigners can buy American grain and get an inspection certificate that insures that they were shipped what they contracted for. A buyer can't wait until it arrives in their port. They may have waited three or four months to get it, and they couldn't possibly contract for grain and expect it to arrive on a specified date to use in their market and then turn it down because it doesn't meet contract and send it back.

You know, that just is not tolerable. We are talking about something where the contract is made as much as six months in advance of delivery. Credit is arranged. We are talking about big cost per bushel. And so you have to have some kind of a system, as long as we depend upon private exporters, that gives buyers an independent check on quality and allows them to buy our grain and us to export our grain.

I wish you had been able to say that.

Mr. DURBIN. Thank you, Mr. Smith.

Before recognizing the next Member, I would like to make note for the record that neither rain nor snow or night kept him from his appointed rounds. Snowed-in in Syracuse yesterday but with us today, Mr. Walsh.

Mr. WALSH. A snowstorm is not an unusual event in Syracuse, but the airport closing was, and I had to hitchhike a ride down with one of the local businesses. Otherwise I would have been here. I apologize for not being here.

Mr. MYERS. You would have violated the ethics rules if you had done that.

Mr. WALSH. You know I wouldn't have said that for the record had I violated any ethics rule. We are going to make sure that trip was paid for.

But I would like to thank both the ranking Member and the Chair for setting up this aggressive hearing schedule. It gives us new Members an opportunity to get a full view of our jurisdiction. I am delighted to participate.

PESTICIDE RESIDUE TESTING

Some of the questions that I have may not be the traditional questions because I am fairly new at this, too, but one of the questions that I had regarding the pesticides that you test for, could they include both field dressed pesticides and storage sorts of pesticides such as fumigation?

Mr. GALLIART. We are not testing for pesticide residues yet. I mentioned earlier that we now have the equipment and the staff to survey the grain in this country. And we do not yet have quick tests that we can use in our operations to provide pesticide-residue testing.

What we are finding is that we do not have a problem—I say this with some reservation. On the basis of very limited testing, we are not finding a problem with pesticide residues in grain.

Mr. WALSH. The questions about the Delaney Clause I found very interesting because we spent a lot of time on that in the authorizing committee the last four years talking about the Delaney Clause and its applicability and sensibility versus risk tolerance. So I certainly agree with the gentleman from Arkansas's statements.

When you begin or if you begin testing for pesticides, is there some sort of a feedback process to the FDA as to whether you are seeing an increase in use in a certain pesticide? Do you anticipate that sort of thing?

Mr. GALLIART. The feedback goes to FDA and EPA. We work very closely with the Food and Drug Administration and the EPA. If the information we collect is of value to them, we will certainly provide it to them.

GRAIN QUALITY

Mr. WALSH. Obviously you are charged with testing grain quality. One of the things that I have discovered in regards to disaster relief for farmers is that we had a terrible year in upstate New York, near the border to Ontario, with corn. While the rest of the country had a bumper crop, we had a disaster, by our definition, but not by disaster relief's definition. Quality is not a factor apparently in disaster relief.

I would just like to get you to state for the record that the quality of the grain certainly has some impact on the value of that crop, does it not?

Mr. GALLIART. It certainly does.

Mr. WALSH. So if you had a high moisture content or mold or toxins in the grain, that would certainly affect the value of that crop?

Mr. GALLIART. Yes.

Mr. WALSH. Both naturally occurring and applied toxins?

Mr. GALLIART. Yes.

USER FEES

Mr. WALSH. Lastly, I think someone said or you said at the beginning that 75 percent of your budget was developed through user fees. I think that is remarkable and commendable. I think we should look to do more of that sort of thing.

Thank you.

Mr. DURBIN. I thank the gentleman, and I thank the panel for joining us here.

We are going to be working with you as your budget figures are identified to try to find an equitable way to fund your agency. We thank you for joining us today.

I would like to call the Packers and Stockyards Administration next.

To the Members of the subcommittee, if you are interested, there is a publication from the General Accounting Office that was produced at the request of Mr. Miller and Mr. Wise. It outlines all of the user fees collected by the U.S. Department of Agriculture and the standards that are used in each instance. I think it is an important document for us to take a look at, for the reason Mr. Walsh mentioned earlier. In this instance the Federal Grain Inspection Service, as with so many others, are performing a service which enhances the quality of the product being sold and the people who are producing it are paying for that service. We might take a look at that approach.

That has been an ongoing debate in Congress, and I think you will find this GAO report very interesting. It identifies the breadth and diversion of different user fees that are charged.

BIOGRAPHICAL SKETCH

David R. Galliart
Acting Administrator
Federal Grain Inspection Service
U.S. Department of Agriculture

Mr. Galliart was named Deputy Administrator of the Federal Grain Inspection Service (FGIS) in January 1978. He served in an acting capacity in that position from the time of the establishment of FGIS in November 1976 until his permanent appointment.

Prior to the establishment of FGIS, Mr. Galliart was Director of the Grain Division of the Agricultural Marketing Service. He began his government service in 1953 as an agricultural commodity grader with the Grain Division and served in numerous supervisory positions in that Division, including Chief of the Standardization Branch for 2 years and 4 years as Deputy Director of the Division, until his appointment as Director in June of 1975.

A native of Kansas, Mr. Galliart attended Kansas State Teachers College, Pittsburg, Kansas, and Phillips University, Enid, Oklahoma.

Mr. Galliart has been Acting Administrator since January 26, 1993.

DAVID R. SHIPMAN
Federal Grain Inspection Service
Field Management Division

Mr. Shipman has been with the Federal Grain Inspection Service since 1976. He currently serves as the Director of the Field Management Division. As Division Director, he manages the FGIS national field office structure, oversees a network of privately-owned and State-operated agencies that are authorized by FGIS to provide official inspection and weighing services and develops grading standards and inspection procedures for various grains, oilseeds, edible beans, rice, lentils, and peas. He also manages a testing program for processed products, such as, cornmeal, vegetable oil, and crackers. Government purchases of grain-related foodstuff for the military, school lunch program, and various other activities are frequently tested by FGIS for quality and wholesomeness.

Mr. Shipman is the FGIS representative to the Grain Quality Workshop, the Wheat Classification Working Group, and various industry grades and weights committees. He also serves as the Alternate U.S. Delegate to the CODEX Committee on Cereals, Pulses, and Legumes.

Recent activities have included improving the export grain inspection process used in the United States, establishing U.S. Standards for Canola, developing a new inspection service designed to better meet the needs of the domestic grain industry, and conducting an in-depth study on the costs and benefits of the U.S. marketing cleaner grain.

Mr. Shipman earned a B.S. degree in agriculture and natural resources from the University of Connecticut in 1976. He is married, has three children, and resides in Herndon, Virginia.

FEDERAL GRAIN INSPECTION SERVICE

Statement of David R. Galliard, Acting Administrator, before the Subcommittee on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies, February 17, 1993.

Mr. Chairman and Members of the Committee:

I appreciate this opportunity to acquaint you with the responsibilities and activities of the Federal Grain Inspection Service (FGIS).

Introduction to FGIS

FGIS was created by Congress under the U.S. Grain Standards Act of 1976 (the Act) to manage the national grain inspection system and to institute a national grain weighing program. The goal of creating a single Federal grain inspection entity was to ensure the development and maintenance of uniform U.S. standards for grain, to develop and implement inspection and weighing procedures for grain in domestic and export trade, and to facilitate grain marketing.

The Agency's responsibilities lie in three main areas:

1. Establishing and maintaining official U.S. grain standards for barley, canola, corn, flaxseed, oats, rye, sorghum, soybeans, sunflower seed, triticale, wheat, and mixed grain,
2. Inspecting and weighing grain and related products for export trade, and making such services available, upon request, for domestic trade, and,
3. Supervising the official grain inspection and weighing system.

Provision of Services

The official grain inspection and weighing system is a network of FGIS field offices, and Federal, State, and private agencies that are authorized by FGIS to provide official grain inspection and weighing services. There are approximately 2,900 inspectors in all, of which 489 are FGIS employees.

Under the Act, grain exported from the United States must be officially weighed and inspected, unless it is exported by train or truck to Canada or Mexico. Essentially, it is FGIS' responsibility to inspect and weigh grain for the purpose of certifying that grain exported from the United States meets contract specifications.

In addition, all corn exported from the United States must be tested for aflatoxin prior to shipment, unless the contract stipulates that testing is not required. These mandatory official inspection and weighing services are provided by FGIS on a fee basis at 57 export elevators, and by 8 delegated States at an additional 22 export elevators.

Domestic inspection and weighing services are provided by 72 designated agencies that employ personnel licensed by FGIS to provide such services. The official inspection and weighing of U.S. grain in domestic commerce are performed upon request on a fee basis.

Under the Agricultural Marketing Act of 1946 (AMA), FGIS provides inspection and standardization services related to rice, pulses, and processed grain products such as flour and corn meal, and other agricultural commodities. Services under the AMA are performed upon request, on a fee basis, for both domestic and export shipments, either by FGIS employees or individual contractors, or through cooperative agreements with States.

The Integrity of the System

FGIS maintains an extensive compliance program to ensure that the Act, the AMA, and regulations, procedures, and policies issued under the statutes are implemented properly and uniformly.

A management control program allows FGIS to effectively evaluate procedural conformance and operational efficiency nationwide. Compliance reviews evaluate management effectiveness and procedural compliance of FGIS field office circuits and official agencies.

FGIS in Recent Years

FGIS is predominantly a user-fee funded operation. The total Agency budget authorization for fiscal year 1993 is \$54.2 million, of which \$11.4 million is appropriated funding. Currently, user fees account for over 76 percent of our funding.

Only FGIS standardization and compliance activities are funded with appropriations. Compliance activities ensure the integrity of the official system. Standardization activities involve establishing and maintaining the official U.S. grain standards, developing and implementing standard methods and procedures, maintaining a quality control program covering all aspects of grading and inspection, and approving equipment for the official inspection and weighing of grain.

Because of our reliance on user fees, decreases in the volume of grain exported from the United States directly affect our revenues. Between fiscal years 1989 to 1991, U.S. agricultural exports dropped from 117.1 to 97.1 million metric tons (MMT). In 1992, exports increased slightly to 105.7 MMT.

Concurrently, the number of official inspections performed decreased from 2.8 million in fiscal year 1988 to 2.4 million in 1992.

During that same time period, user-fee revenue declined by \$5.5 million (from \$34.5 to \$29.0 million). Economic conditions clearly dictated the need for an efficient and cost-effective national system. In response, the Agency has cut user-fee funded obligations by \$5.5 million (from \$34.8 to \$29.3 million). We accomplished this reduction by consolidating field offices and suboffices; abolishing several headquarters positions; strictly limiting monies spent on travel, training, and equipment purchases; and, trimming our staffing levels from 975 in 1982 to 752 in 1990 to 649 today. Fee increases have been very limited throughout these years.

FGIS remains committed to a "customer-first" orientation. We continue to develop and implement programs to better meet the needs of the U.S. grain marketing system. The Official Commercial Inspection Service is one such program.

This new level of service allows users to tailor official grain inspection services to fit individual needs. Applicants for this service select specific features from other "complete" services, or modify the current inspection procedures, without sacrificing inspection quality.

The new service has served dual purposes. It has made the quality of the official system available to those who previously found official inspection services too costly or time-consuming. And, it has generated new business for official inspection agencies.

At the end of this fiscal year, Public Law 100-518, enacted October 24, 1988, which authorized FGIS programs, will expire. FGIS has recommended legislation to reauthorize the sunset provisions of the statute to continue the Agency's programs through September 30, 1998.

Programs and Initiatives

The Agency currently is addressing a variety of issues related to our mission and the marketing of U.S. grain. Our efforts in the areas of objective testing technology, food safety, and standardizing the official system are fundamental and ongoing.

Objective Testing

FGIS is continuing to develop and implement improved and more objective testing methods for the official grain inspection system. For example, FGIS presently is implementing a rapid procedure to determine protein in wheat using near-infrared transmittance instruments (NIRT). We believe that the official inspection system and industry will benefit from this change in protein testing technology. The NIRT saves time, lessens errors caused by operator influence, and improves the reproducibility of protein measurement.

FGIS also is developing a single kernel hardness tester to objectively classify wheat, and to provide quality information that will allow the marketplace to better assess the value of wheat.

Furthermore, we are pursuing objective technologies that measure sprout damage and enzyme activity in wheat, determine odor in grain, and measure insect infestation.

Food Safety

Food safety remains a priority. Mycotoxins — which are naturally occurring toxins produced by molds that may be present in grain and oilseeds — continue to be of interest to both foreign and domestic customers. Reports of a delayed corn harvest in the upper Midwest this year prompted renewed interest in mycotoxins on the part of consumers and the grain industry.

In response to these concerns, FGIS is investigating quick tests that measure various mycotoxins in grain, including vomitoxin and fumonisin. FGIS already has approved and implemented test kits that safely and rapidly measure aflatoxin.

FGIS' efforts in the food safety arena also include the recent implementation of a program to monitor pesticide residues in domestic and export wheat samples. A similar program that will monitor corn for residues is being developed.

Standardizing the Official System

In recent years, FGIS has increased the uniformity of the grain inspection and weighing system by strengthening its quality control program. Today, FGIS' extensive monitoring and checktesting programs are formalized into the official procedures for grain inspectors.

FGIS currently is working with the National Institute of Standards and Technology and the National Conference on Weights and Measures to further improve the uniformity of the system by developing a standardized equipment evaluation program for grain moisture meters and near infrared testing equipment.

FGIS also continues to work with the grain industry and other Government entities to develop an objective wheat classification system.

Conclusion

Since its inception, FGIS has played a crucial role in the marketing of U.S. grain both in domestic and international markets. We remain committed to strengthening and improving the official grain inspection and weighing system and to provide to our many customers services that are second to none. Thank you.

FEDERAL GRAIN INSPECTION SERVICE

Purpose Statement

The Federal Grain Inspection Service (FGIS) was established on November 20, 1976, pursuant to the U.S. Grain Standards Act (USGSA), as amended (Public Law 94-582). In 1977, it was amended to provide appropriated funding for field supervision. The Omnibus Budget Reconciliation Act of 1981 amended the USGSA to require user fee funding to support supervision and administration of the inspection and weighing programs previously covered by appropriations. Authority to collect user fees for supervision and administration activities and authority to invest retained earnings in interest-bearing accounts has been extended through September 1993.

The 1981 amendments also established an FGIS Advisory Committee to provide advice to the Administrator of FGIS on the implementation of the USGSA. Programs supporting the Grain Quality Improvement Act (GQIA) of 1986 continue. The Grain Quality Title of the Food, Agriculture, Conservation and Trade Act of 1990 supports continued expansion in this area.

Inspection and weighing programs are also carried out under the authority of the Agricultural Marketing Act of 1946 (AMA), as amended. Programs under the AMA include the inspection and grading of rice, dry beans, lentils, dry peas, processed grain products, hops, and related commodities.

The mission of FGIS is to facilitate the marketing of grain, oilseeds, pulses, rice, and related commodities by: (a) establishing descriptive standards and terms, (b) accurately and consistently certifying quality, (c) providing for uniform official inspection and weighing, (d) carrying out assigned regulatory and service responsibilities, and (e) providing the framework for commodity quality improvement incentives to both domestic and foreign buyers. Through these permissive and mandatory programs, FGIS assists in advancing the orderly and efficient marketing and effective distribution of U.S. grain and other assigned commodities from the Nation's farms to domestic and foreign buyers. FGIS, acting as an impartial third party, assures that the standards are applied and the weights are recorded in a fair and accurate manner, thereby facilitating domestic and foreign grain grading. Activities of the Agency are as follows:

1. Standardization and Quality Control Activities: Functions include developing objective tests and methods for determining grain quality; determining the criteria and recommending specifications for grain inspection instrumentation; maintaining uniform standards for grains and commodities, and developing and maintaining an Agency-wide quality assurance program. Inspection appeals, quality assurance specialist (QAS) technical training, and research and development activities are included in this program area.
2. Compliance Activities: Activities ensure that the Agency operates in conformance with all requirements and procedures established by statute, regulation, instruction, or directive. The program ensures, through reviews, evaluations, and enforcement, if necessary, that the USGSA, and applicable provisions of the AMA, and regulations, procedures, and policies issued thereunder are implemented accurately and effectively.
3. Inspection and Weighing Activities: The USGSA requires: (1) mandatory inspection and weighing services at export ports by FGIS or delegated State agency personnel; and (2) permissive inspection and weighing services at domestic locations by designated State and private agency personnel. The USGSA also requires FGIS to supervise all official inspection and weighing activities. Further, on a request basis, FGIS personnel perform inspection of rice and related commodities under the AMA and provide nationwide appeal inspection services.

The FGIS headquarters is located in Washington, D.C., and Kansas City, Missouri, with field activities located in 22 field offices, 2 Federal/State offices, and 9 suboffices in 20 States and Canada. As of September 30, 1992, FGIS employment totaled 630 full-time permanent employees and 81 part-time temporary and intermittent employees. Of the total, 141 full-time employees and 3 part-time and intermittent employees were located at headquarters while the remaining 489 full-time employees and 78 part-time and intermittent employees were assigned to field locations. The costs of nearly all field services and most headquarters activities are financed from fees charged for services performed. User-fee supported activities accounted for 72 percent of total agency spending in FY 1992. Compliance and standardization activities, international monitoring, and the FGIS Advisory Committee are financed from appropriations.

FEDERAL GRAIN INSPECTION SERVICE

Available Funds and Staff-Years1992 Actual and Estimated, 1993 and 1994

Item	1992		1993		1994	
	Actual		Estimated		Estimated	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
Salaries and Expenses	\$11,397,000	153	\$11,397,000	168	\$ 4,685,000	78
New User Fees	- -	- -	- -	- -	6,882,000	90
Inspection and Weighing Services	31,536,637	527	42,784,000	582	42,784,000	582
Total, Federal Grain Inspection Service	42,933,637	680	54,181,000	750	54,351,000	750

FEDERAL GRAIN INSPECTION SERVICE

Permanent Positions by Grade and Staff-Year Summary1992 and Estimated 1993 and 1994

Grade	1992			1993			1994		
	Head- quarter:	Field:	Total	Head- quarter:	Field:	Total	Head- quarter:	Field:	Total
Executive Level V	1	--	1	1	--	1	1	--	1
ES-6	1	--	1	1	--	1	1	--	1
ES-4	1	--	1	1	--	1	1	--	1
ES-1	1	--	1	1	--	1	1	--	1
GS/GM-15	1	--	1	3	--	3	3	--	3
GS/GM-14	12	--	12	12	--	12	12	--	12
GS/GM-13	23	10	33	26	10	36	26	10	36
GS-12	25	23	48	27	23	50	27	23	50
GS-11	7	84	91	7	84	91	7	84	91
GS-10	--	27	27	--	27	27	--	27	27
GS-9	18	216	234	21	216	237	21	216	237
GS-8	6	--	6	6	--	6	6	--	6
GS-7	22	18	40	25	18	43	25	18	43
GS-6	19	11	30	22	11	33	22	11	33
GS-5	12	126	138	15	126	141	15	126	141
GS-4	12	69	81	12	69	81	12	69	81
GS-3	--	9	9	--	9	9	--	9	9
GS-2	--	1	1	--	1	1	--	1	1
GS-1	--	--	--	--	--	--	--	--	--
Ungraded Positions.....	2	--	2	2	--	2	2	--	2
Total Permanent Positions	163	594	757	182	594	776	182	594	776
Unfilled Positions end-of-year	-2	-67	-69	-10	-67	-77	-10	-67	-77
Total, Permanent Employment, end-of-year.	161	527	688	172	527	699	172	527	699
Staff-Years:									
Ceiling	150	530	680	153	597	750	153	597	750

FEDERAL GRAIN INSPECTION SERVICE

Salaries and ExpensesCLASSIFICATION BY OBJECTS1992 and Estimated 1993 and 1994

	<u>1992</u>	<u>1993</u>	<u>1994</u>
Personnel Compensation:			
Headquarters	\$ 4,166,606	\$ 4,321,000	\$ 4,615,000
Field	<u>2,135,762</u>	<u>2,215,000</u>	<u>2,365,000</u>
11 Total personnel compensation	6,302,368	6,536,000	6,980,000
12 Personnel benefits	1,182,114	1,226,000	1,335,000
Total Personnel Compensation Benefits	<u>7,484,482</u>	<u>7,762,000</u>	<u>8,315,000</u>
Other Objects:			
21 Travel	344,860	472,000	497,000
22 Transportation of things ..	44,074	49,000	48,000
23.2 Rental payments to others .	72,051	52,000	52,000
23.3 Communications, utilities, and misc. charges	274,234	342,000	333,000
24 Printing and reproduction .	20,011	30,000	28,000
25 Other services	1,799,673	1,788,000	1,626,000
26 Supplies and materials	332,330	290,000	267,000
31 Equipment	872,713	612,000	401,000
Total other objects	<u>3,759,946</u>	<u>3,635,000</u>	<u>3,252,000</u>
Total direct obligations	<u>11,244,428</u>	<u>11,397,000</u>	<u>11,567,000</u>
<u>Position Data:</u>			
Average Salary, ES positions	\$102,033	\$105,298	\$106,009
Average Salary, GM/GS positions	\$ 35,429	\$ 36,740	\$ 36,988
Average Grade, GM/GS positions	11.38	11.38	11.38

FEDERAL GRAIN INSPECTION SERVICE

(New language is underscored; deleted matter is enclosed in brackets.)

Salaries and Expenses

For necessary expenses to carry out the provisions of the United States Grain Standards Act, as amended, and the standardization activities related to grain under the Agricultural Marketing Act of 1946, as amended, including field employment pursuant to section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed \$20,000 for employment under 5 U.S.C. 3109, [\$11,397,000] \$ 4,685,000: Provided, That the Secretary is authorized to charge fees to cover the cost of standardization activities. Notwithstanding 31 U.S.C. 3302, revenues received from these activities shall be credited to this account, to be available for carrying out these purposes without further appropriation: Provided further, That this appropriation shall be available pursuant to law (7 U.S.C. 2250) for the alteration and repair of buildings and improvements, but, unless otherwise provided, the cost of altering any one building during the fiscal year shall not exceed 10 per centum of the current replacement value of the building: Provided further, That none of the funds provided by this Act may be used to pay the salaries of any person or persons who require, or who authorize payments from fee-supported funds to any person or persons who require nonexport, nonterminal interior elevators to maintain records not involving official inspection or official weighing in the United States under Public Law 94-582 other than those necessary to fulfill the purposes of such Act.

The change in language is for the purpose of shifting the standardization activities from appropriated funding to user fees.

FEDERAL GRAIN INSPECTION SERVICE

SALARIES AND EXPENSES

Appropriations Act, 1993	\$11,397,000
Budget Estimate, 1994:	
Appropriations	\$ 4,685,000
New User Fees	6,882,000
Total, Budget Estimate, 1994	<u>11,567,000</u>
Increase in Estimate.....	<u>+ 170,000</u>

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation and user fees)

<u>Item of Change</u>	<u>1993 Estimated</u>	<u>Pay Cost</u>	<u>Other Changes</u>	<u>1994 Estimated</u>
Compliance Activities:.....	\$ 4,620,000	+\$ 63,000	+\$ 2,000	\$ 4,685,000
Standardization and Quality Assurance Activities:				
Appropriations.....	6,777,000	+ 102,000	- 6,879,000	0
New User Fees.....	- -	- -	+ 6,882,000	6,882,000
Total Available.....	<u>11,397,000</u>	<u>+ 165,000</u>	<u>+ 5,000</u>	<u>11,567,000</u>

PROJECT STATEMENT
(On basis of appropriation and user fees)

<u>Project</u>	<u>1992 Actual</u>	<u>1993 Estimated</u>	<u>Increase</u>	<u>1994 Estimated</u>
	: Staff:	: Staff:	: or :	: Staff:
	: Amount : Years:	: Amount : Years:	: Decrease :	: Amount : Years:
Compliance	:	:	:	:
Activities:.....	\$ 3,558,934: 67	\$ 4,620,000: 78	+\$ 65,000:	\$ 4,685,000: 78
Standardization	:	:	:	:
Activities:	:	:	:	:
Appropriations..	7,685,494: 86	6,777,000: 90	-6,777,000:	:
New User Fees..	:	:	+6,882,000:	6,882,000: 90
Unobligated	:	:	:	:
balance.....	152,572: - -	- -	- -	- -
Total, Available:	:	:	:	:
or Estimate.....	11,397,000: 153	11,397,000: 168	+ 170,000:	11,567,000: 168
User Fees.....	- -	- -	-6,882,000:-	6,882,000: -90
Total,	:	:	:	:
Appropriation..	11,397,000: 153	11,397,000: 168	-6,712,000:	4,685,000: 78

EXPLANATION OF PROGRAM

The appropriation "Salaries and Expenses" of the Federal Grain Inspection Service funds the standardization and compliance activities. The activities carried out are as follows:

1. Compliance Activities

The compliance activities ensure the accurate and uniform application of the U.S. Grain Standards Act (USGSA) and the applicable provisions of the Agricultural Marketing Act of 1946 (AMA). Field activities are reviewed to ensure that all procedures are implemented in a manner consistent with agency policy. Compliance activities include the delegation and designation of official agencies, the investigation of violations of the USGSA and AMA including referral of criminal violations to the Office of Inspector General, licensing of official agency personnel, registering persons/firms engaged in foreign commerce, and maintaining an international monitoring program which interacts with foreign governments and trade teams to exchange information and respond to complaints concerning quality and quantity of grain shipments.

Compliance Activities
Projected Level of Activity

	<u>1992</u>	<u>1993</u>	<u>1994</u>
Official Agency Actions:			
Agency delegations and designations			
in effect at end of fiscal year	72	72	72
Designations renewed	26	26	26
Designations cancelled	0	1	1
State delegations at export port			
locations in effect at end of fiscal year ..	8	8	8
Registration of Firms Exporting Grain:			
Registration certificates issued	89	95	95
On-site investigations	4	15	15

2. Standardization Activities

FGIS standardization activities aid in the orderly marketing of grains, oilseeds, rice, and related commodities through the development, promulgation, and application of new and revised standards. Activities include the establishment, review, and revision of the standards to reflect the latest inspection techniques and marketing needs; development and evaluation of new instruments and methods to increase accuracy; and operation of a nationwide quality control program to assure the integrity of the inspection certificate.

Standardization Activities
Projected Level of Activity

	<u>1992</u>	<u>1993</u>	<u>1994</u>
U.S. Standards in effect at end of year	19	19	19
New and revised standards issued during fiscal			
year	2	8	9
Standards reviews in progress	9	7	8
Standards reviews completed	2	8	9
Inspection techniques developed	11	11	11
Equipment evaluated	1	0	5
Codex standards developed	5	13	13

JUSTIFICATION OF INCREASES AND DECREASES

- (1) An increase of \$65,000 in compliance activities (\$4,620,000 available in 1993) consisting of:
- (a) An increase of \$63,000 which reflects the annualization of the fiscal year 1993 pay raise.
 - (b) An increase of \$44,000 which reflects a 2.7 percent increase in non-salary costs.
 - (c) A decrease of \$39,000 which reflects a 3 percent reduction in administrative expenses from the amount made available for fiscal year 1993 adjusted for inflation.

Need for Change. To promote the efficient use of resources for administrative purposes, in keeping with the President's Executive order, total USDA baseline outlays for these activities will be reduced by 3 percent in FY 1994, 6 percent in FY 1995, 9 percent in FY 1996 and 14 percent in FY 1997.

Nature of Change. In order to achieve this savings, FGIS compliance activities will continue to carefully monitor all costs associated with other services and will restrict equipment purchases.
 - (d) A decrease of \$3,000 for FTS 2000 funding.

This decrease reflects lower long distance telecommunication prices due to price redeterminations in the FTS 2000 contracts.
- (2) An increase of \$105,000 in standardization activities (\$6,777,000 available in 1993) consisting of:
- (a) An increase of \$102,000 which reflects the annualization of the fiscal year 1993 pay raise.
 - (b) An increase of \$65,000 which reflects a 2.7 percent increase in non-salary costs.
 - (c) A decrease of \$57,000 which reflects a 3 percent reduction in administrative expenses from the amount made available for fiscal year 1993 adjusted for inflation.

Need for Change. To promote the efficient use of resources for administrative purposes, in keeping with the President's Executive order, total USDA baseline outlays for these activities will be reduced by 3 percent in FY 1994, 6 percent in FY 1995, 9 percent in FY 1996 and 14 percent in FY 1997.

Nature of Change. In order to achieve this savings, FGIS standardization activities will continue to carefully monitor all costs associated with other services and will restrict equipment purchases.
 - (d) A decrease of \$5,000 for FTS 2000 funding.

This decrease reflects lower long distance telecommunication prices due to price redeterminations in the FTS 2000 contracts.

- (e) No net change for standardization (a decrease of \$6,882,000 in appropriated funds offset by an increase of \$6,882,000 in user fees).

Need for Change. The expense for the standardization program, consisting primarily of grain inspection methods development and developing and disseminating new and/or revised standards, should be the responsibility of the beneficiaries of these services, primarily the grain industry.

Nature Of Change. Standardization activities initiated by the Federal Grain Inspection Service support the orderly marketing of grains, oilseeds, rice, and related commodities by conducting grain inspection methods development and developing and disseminating, new and/or revised standards. We propose initiating user fees for these activities and thus recouping this expense from the beneficiaries of these services. These costs will be added to the agency's existing fee structures.

Compliance activities provide oversight to FGIS programs and will continue to be financed through appropriated funds.

Federal Grain Inspection Service
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1992 and Estimated 1993 and 1994
SALARIES AND EXPENSES

	FY 1992		FY 1993		FY 1994	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
Alabama	\$ 51	0	\$ 0	0	\$ 0	0
Arkansas	82,290	2	83,000	2	85,000	2
California	66,676	1	68,000	1	69,000	1
District of Columbia ..	3,326,151	36	3,372,000	41	3,422,000	41
Georgia	33,333	1	34,000	1	34,000	1
Idaho	48,263	1	49,000	1	50,000	1
Illinois	224,609	4	323,000	6	379,000	7
Indiana	147,887	3	49,000	1	0	0
Iowa	188,872	4	191,000	4	194,000	4
Kansas	260,830	5	264,000	5	268,000	5
Louisiana	333,561	5	338,000	5	343,000	5
Maryland	95,283	2	97,000	2	98,000	2
Michigan	30,631	1	0	0	0	0
Minnesota	357,230	7	362,000	8	367,000	8
Missouri	5,141,892	65	5,212,000	73	5,289,000	73
Nebraska	166,040	3	168,000	3	171,000	3
North Dakota	125,150	3	127,000	3	129,000	3
Ohio	64,751	1	102,000	3	102,000	3
Oregon	108,836	3	110,000	3	112,000	3
Texas	351,083	5	356,000	5	361,000	5
Washington	91,009	1	92,000	1	94,000	1
Subtotal, Available or Estimate	11,244,428	153	11,397,000	168	11,567,000	168
Unobligated Balance ..	152,572	--	--	--	--	--
Total, Available or Estimate	11,397,000	153	11,397,000	168	11,567,000	168

FEDERAL GRAIN INSPECTION SERVICE

SALARIES AND EXPENSES

STATUS OF PROGRAM

Current activities, progress, and programs for standardization, quality assurance, and compliance activities are outlined below:

STANDARDIZATION AND QUALITY ASSURANCE ACTIVITIES

Current Activities: The Federal Grain Inspection Service (FGIS) compiles data for developing new and updating existing grading standards, and evaluates new methodology and equipment for determining grain classification and quality. The Agency provides reference standards for official grading procedures.

Selected Examples of Recent Progress:

1. Standardization. (Grain; Rice; and Beans, Peas, and Lentils)

Grain. FGIS implemented U.S. Standards for Canola, the first new standards established since 1984, on February 28, 1992.

FGIS prepared final rules for the sorghum, wheat, and soybean standards. Development of these final rules included evaluations of 29 comments on the sorghum standards, 28 comments on the wheat standards, and 1,770 comments on the soybean standards. Publication of these final rules is expected in fiscal year 1993.

FGIS also initiated a general review of the barley standards in December 1991, by preparing and distributing a discussion paper to the grain industry. The paper summarizes areas of concern and solicits comments from producers, trade associations, processors, maltsters, brewers, handlers and merchandisers. The FGIS Advisory Committee and the Grain Quality Workshops also were informed of the Agency's review of the barley standards. FGIS plans to propose changes to the barley standards during fiscal year 1993.

Rice. On December 2, 1991, FGIS implemented a special grade for glutinous rice. In the January 22, 1992, Federal Register, FGIS published an advanced notice of proposed rulemaking to solicit public comment regarding a general review of the rice standards. The review ensures that the rice standards serve their intended purpose, are clearly written, and are consistent with FGIS policy and authority. Specifically, FGIS solicited comments regarding the need to: (1) establish standards for edible brown rice, (2) establish a special grade for aromatic rice, (3) eliminate the class for Screenings of milled rice, (4) revise the definitions of the classes of rough rice, and (5) revise the definitions of the classes Second Head, Screenings, and Brewers milled rice. Based on the comments received, FGIS initiated action in August 1992, to propose changes to the rice standards.

Beans, Peas, and Lentils. FGIS announced a general review of the U.S. Standards for Beans, Whole Dry Peas, Split Peas, and Lentils in the January 22, 1992, Federal Register. In the August 28, 1992, Federal Register, FGIS concluded that the review of the standards indicated that the standards meet the needs of producers, warehouse managers, shippers, and all others who handle or market these commodities. Although changes are not planned for the standards, FGIS is soliciting further public comments before making a final decision.

2. Methods Development.

Grain Odor. Musty, sour, and commercially-objectionable foreign odors are important grain grading factors. FGIS continues to participate in two separate collaborative efforts with the Agricultural Research Service (ARS) on odor detection in grain.

Data from an expert sensory panel study at Kansas State University's Sensory Analysis Center, and from chemical analyses carried out by ARS chemists, allowed ARS to establish threshold levels for several compounds that cause many objectionable odors in grain. In fiscal year 1993, samples from market channels will be chemically analyzed using a prototype odor detection instrument. The grain then will be classified, using the threshold levels, as either "sound" or "sample grade." Results will be compared with those obtained by the current official inspection system. In addition, data from the expert sensory panel will be used to develop specific odor standard references for inspectors in the field.

In a second project, ARS developed a sample holder that prevents inspectors from inhaling particulates, such as dust and mold spores, when smelling grain samples. Preliminary tests by the FGIS Board of Appeals and Review indicate that this device may enhance the ability of inspectors to detect objectionable odors in grain. Because it may be impossible to objectively detect all objectionable odors in grain, an instrument, such as the sample holder, that enhances the safety of inspectors is critical. In fiscal year 1993, the holder will be tested in the inspection systems.

Image Analysis. Image analysis systems, which use relatively inexpensive, fast computers and high quality cameras, are revolutionizing many industries, and especially those involving inspection. FGIS is supporting research to determine if this technology can be applied in the official inspection system.

Current research is focussing on determining the visual information needed to make inspection decisions, and how this information should be analyzed to produce results similar to those provided by an inspector. FGIS also is investigating the use of electronic image display tools for procedure manuals and pictorial examples of damage. These activities will continue in fiscal year 1993.

Insect Infestation. FGIS continues to support the development of a test kit to detect insect infestation in grain and other commodities. Prior to fiscal year 1992, commercially-available test kits required three hours per assay. In fiscal year 1992, a simplified test kit was developed that requires only 15 minutes per assay, and still detects both live and dead infestation. Studies are underway to compare the results from this kit with fragmentation counts, the number of insect damage kernels, and the number of kernels infested as detected by X-ray analysis.

Wheat Classification. FGIS, ARS, the Agricultural Marketing Service (AMS), and the industry-sponsored Wheat Classification Working Group are continuing a collaborative effort to develop a wheat classification system based on objective test results rather than kernel morphology.

In 1992, the single kernel tester produced by the ARS Grain Marketing Research Laboratory in Manhattan, Kansas, was further refined and two commercial prototype instruments were built by Perten Instruments. These instruments provide data on kernel size, moisture content, and weight, as well as single kernel hardness at a rate of approximately 100 kernels per minute. FGIS currently is testing these instruments under different temperature and humidity conditions.

3. International Monitoring.

The International Monitoring program functions include (1) traveling to other countries to explain FGIS' inspection and weighing procedures; (2) briefing visiting trade and governmental teams and others on the grain marketing system, FGIS, and grain quality issues; (3) monitoring grain shipments at destination ports to compare origin and destination quality; (4) assisting USDA cooperator organizations with international market development projects, such as installing diverter-type samplers, establishing grain inspection laboratories, testing and evaluating grain inspection equipment accuracy, and providing grain inspection training to local inspectors; and (5) preparing written or on-site responses to discrepancies about grain shipments reported through the Foreign Agricultural Service (FAS) and other sources.

In fiscal year 1992, FGIS received 19 quality and 2 quantity complaints from importers on grains inspected under the Act. The complaints involved 46 lots loaded aboard 34 vessels.

Importers' complaints in fiscal year 1992 involved approximately 1.0 million metric tons, or about 1.1 percent by weight, of the total amount of grain exported during the year. The 15 quality complaints and 2 quantity complaints FGIS received in fiscal year 1991 represented approximately 0.3 percent of the total tonnage of grain exports.

COMPLIANCE ACTIVITIES

Current Activities: The compliance program is designed to ensure the accurate and uniform application of the USGSA and applicable provisions of the AMA. The compliance program functions include: (1) evaluating alleged violations, initiating preliminary investigations, and initiating enforcement/administrative action for violations; (2) conducting management and technical reviews and initiating appropriate corrective action; (3) administering the program for delegating State agencies and designating State and private agencies performing official functions and monitoring their performance; (4) identifying and, where appropriate, exempting and monitoring official agency and licensee conflicts of interest; (5) licensing personnel of delegated States and designated agencies; (6) registering persons/firms engaged in buying grain for sale in foreign commerce and engaged in handling, weighing, and transporting of grain for sale in foreign commerce; (7) responding to audits of FGIS programs; and, (8) reviewing and, approving official agencies' fee schedules.

Selected Examples of Recent Progress:

1. Management Control Program. In fiscal year 1992, FGIS completed the first five year review cycle of all of its programs, in accordance with USDA's management control program. No material weaknesses were identified. FGIS developed approximately 200 corrective action plans to address, and ensures timely resolution of all identified problem areas.
2. Compliance Reviews. FGIS conducted compliance reviews of seven field office circuits and ten official agencies to evaluate management effectiveness and procedural compliance. Most field office circuits were found to be well-managed, performing satisfactorily, and meeting FGIS' mission. Some procedural problems were identified, that have been or are being corrected. Follow-up compliance reviews and on-site visits by FGIS personnel ensure resolution of all problems.

During all compliance reviews, FGIS interviews applicants for service and official personnel to ensure that there is no discrimination in the delivery of official services. No instances of discrimination in service were identified during fiscal year 1992.

3. Management Evaluation. In fiscal year 1992, FGIS completed a management evaluation of the rice inspection program and the operation of the total oil and free fatty acid (TOFFA) laboratories. The evaluation found that the program meets the needs of the rice industry, but needs procedural consistency and uniformity among FGIS offices. FGIS is developing corrective action plans to address areas of noncompliance and is monitoring the program to ensure that problems are resolved.
4. Official Agency Designations. Seventy-two State and private agencies are designated to provide official services at interior locations. Of these, eight State agencies also are delegated to perform official inspection and weighing services at export locations. Under triennial renewal procedures, twenty-six agency designations automatically terminated in fiscal year 1992. After thorough evaluations, all were renewed.
5. Alleged Violations. At the beginning of fiscal year 1992, 17 cases involving alleged violations of the ACT and the AMA were pending further action. During the fiscal year, 19 cases were opened and 24 cases were closed, leaving 12 cases pending at the close of fiscal year 1992.

Alleged violations during fiscal year 1992 included: deceptive grain handling and loading practices; improper performance of official duties; including improper sampling and inspection procedures; false weighing; altering official documents; interfering in the performance of official duties; exporting without obtaining official inspection and weighing; failing to obtain official weighing; adulterating grain; and failing to demonstrate proficiency by a licensee.

During fiscal year 1992, FGIS conducted one onsite investigation; one case was referred to the Food and Drug Administration; and, seven cases were referred to the Office of Inspector General (OIG), they accepted six. FGIS personnel assisted OIG in conducting onsite investigations of two of the six cases referred. The remaining cases were addressed by evaluating information gathered and submitted by field personnel.

6. Enforcement Actions. Administrative action was taken on nineteen of the twenty-four cases closed. Five were closed due to insufficient evidence.

Two cases involving allegations of improper sampling and inspection procedures resulted in significant administrative actions. In one case, FGIS issued cautionary letters to two elevators, and a chief inspector resigned and sold his stock in the official agency, thus removing the official agency from the national system. In the second case, one licensee voluntarily canceled his license, another's was suspended for six months, and a chief inspector sold his stock in his official agency. That official agency remains in the system, but is under new management.

FGIS also assessed a grain firm a \$15,000 civil penalty for engaging in deceptive grain handling/loading practices.

7. Conflicts of Interest. At the beginning of fiscal year 1992, all five designated agencies granted discretionary conflict-of-interest waivers were operating without significant problems.

FGIS evaluated twelve conflict-of-interest situations involving licensed inspection personnel. Exceptions, which are granted on the basis of an individual's agreement to comply with specified conditions, were granted to nine; one situation did not constitute a conflict of interest; and, two licensees were denied exceptions.

8. Registration to Export Grain. During calendar year 1992, FGIS issued 89 Certificates of Registration to firms that export grain for sale, or that handle, weigh, or transport grain for sale in foreign commerce.

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FGIS developed a brochure outlining registration requirements that was distributed to FGIS field offices, the Foreign Agricultural Service, North American Export Grain Association, National Grain & Feed Association, and the Grain Elevator and Processors Society. The brochure will be used during the annual renewal and to respond to inquiries about the program.

FEDERAL GRAIN INSPECTION SERVICE

(New language is underscored; deleted matter is enclosed in brackets.)

Limitation on Inspection and Weighing Services Expenses

Not to exceed \$42,784,000 (from fees collected) shall be obligated during the current fiscal year for Inspection and Weighing Services: Provided, That if grain export activities require additional supervision and oversight, or other uncontrollable factors occur, this limitation may be exceeded by up to 10 per centum with notification to the Appropriations Committees.

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FEDERAL GRAIN INSPECTION SERVICEINSPECTION AND WEIGHING SERVICES

Obligations, 1993	\$42,784,000
Budget Estimate, 1994	<u>42,784,000</u>
Change in Obligations	<u>0</u>

LIMITATION ON INSPECTION AND WEIGHING EXPENSES

Appropriation Act, 1993.....	\$42,784,000
Increase in Limitation	<u>0</u>
Budget Estimates, 1994	<u>42,784,000</u>

PROJECT STATEMENT

Project	: 1992 Actual	: 1993 Estimated	: Increase	: 1994 Estimated
	: Staff-	: Staff-	: or	: Staff
	: Amount	: Amount	: Decrease	: Amount
	: Years	: Years	: Years	: Years
Insp. & Weigh. :	:	:	:	:
Activities.....	\$31,536,637: 527	\$42,784,000: 582	- -	\$42,784,000: 582
Unobligated :	:	:	:	:
balance avail. :	:	:	:	:
start of period:-	9,559,768: - -	7,192,085: - -	- -	7,192,085: - -
Unobligated :	:	:	:	:
balance avail. :	:	:	:	:
end of period..:	7,192,085: - -	7,192,085: - -	- -	7,192,085: - -
Collections	29,168,954: 527	42,784,000: 582	- -	42,784,000: 582

EXPLANATION OF PROGRAM

The Federal Grain Inspection Service (FGIS) provides an official grain inspection and weighing system under the U.S. Grain Standards Act (USGSA), as amended, and official inspection of rice and grain related products under the Agricultural Marketing Act of 1946 (AMA), as amended. The USGSA was reauthorized in 1988 permitting FGIS to continue to collect user fees to fund the costs associated with the operation, supervision, and administration of Federal grain inspection and weighing activities.

Fees collected under the USGSA and the AMA pay the expenses of the following programs:

1. Inspection ActivitiesProjected Level of Activity

	<u>FY 1992</u>	<u>FY 1993</u>	<u>FY 1994</u>
Quantity of Grain Officially Inspected (million metric tons)			
For Export by Federal Personnel.....	85.7	86.7	85.6
by Delegated State Personnel..	17.8	17.7	17.5
Domestically.....	<u>143.9</u>	<u>160.9</u>	<u>160.9</u>
Total.....	247.4	265.3	264.0
Number of Inspections and Reinspections			
By Federal Personnel	146,366	160,000	160,000
By Delegated State/Official Agency			
Licensees	2,217,960	2,340,000	2,340,000
<u>Number of Grain Appeals</u>			
By Field Offices	4,943	4,900	4,900
By the Board of Appeals and Review	569	569	569
Quantity of Rice Inspected (million metric tons)	3.9	3.9	3.9
Quantity of Rice Exports (million metric tons)	2.3	2.3	2.3

2. Weighing ActivitiesProjected Level of Activity

	<u>FY 1992</u>	<u>FY 1993</u>	<u>FY 1994</u>
Export Grain Weighed (million metric tons)			
By Federal Personnel.....	82.9	84.0	84.0
By Delegated State Personnel.....	17.8	17.7	17.5

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Federal Grain Inspection Service
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1992 and Estimated 1993 and 1994
INSPECTION & WEIGHING

	FY 1992		FY 1993		FY 1994	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
Alabama	\$ 1,709	0	\$ 0	0	\$ 0	0
Arkansas	1,491,130	35	2,023,000	39	2,023,000	39
California	60,328	1	82,000	1	82,000	1
District of Columbia ..	6,321,019	36	8,576,000	42	8,576,000	42
Georgia	148,575	4	202,000	4	202,000	4
Idaho	206,003	4	279,000	4	279,000	4
Illinois	751,630	14	1,199,000	18	1,281,000	19
Indiana	199,696	4	89,000	1	0	0
Iowa	283,684	4	385,000	4	385,000	4
Kansas	387,792	5	526,000	6	526,000	6
Louisiana	10,016,212	196	13,590,000	217	13,590,000	217
Maryland	2,213,431	42	3,003,000	47	3,003,000	47
Michigan	219,518	4	0	0	0	0
Minnesota	259,404	4	352,000	4	352,000	4
Missouri	546,955	10	742,000	11	742,000	11
Nebraska	365,873	5	496,000	6	496,000	6
North Dakota	239,868	4	325,000	4	325,000	4
Ohio	568,995	13	1,072,000	18	1,079,000	18
Oregon	2,659,866	57	3,609,000	63	3,609,000	63
Texas	4,258,484	80	5,778,000	88	5,778,000	88
Washington	88,542	2	120,000	2	120,000	2
Total States	31,288,714	524	42,448,000	579	42,448,000	579
Canada	247,923	3	336,000	3	336,000	3
Total, Available or Estimate	31,536,637	527	42,784,000	582	42,784,000	582

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FEDERAL GRAIN INSPECTION SERVICE
INSPECTION AND WEIGHING SERVICES

STATUS OF PROGRAM

Current activities, progress, and programs for inspection and weighing activities are outlined below:

Current Activities: The USGSA requires, with minor exceptions, that all grain exported by grade must be officially inspected and weighed. FGIS employees and licensed employees of delegated State agencies perform original inspection and weighing services at export port locations in the United States and Canada. Grain which is not being exported may be inspected at interior locations on a request basis, by licensed employees of designated State and private agencies. FGIS employees, on a request basis, perform original inspection and weighing services on grain, oilseeds, pulses, rice, and related grain commodities. FGIS employees supervise and provide oversight for inspectors performing official services.

FGIS will continue to develop new inspection and weighing services while continuing to seek additional ways of reducing costs.

Selected Examples of Recent Progress:

1. Field Automation. FGIS continued integrating modern technology into the grain inspection and weighing services provided in the field. In fiscal year 1992, FGIS developed guidelines to automate the supervision of official weighing. The Agency also is developing methods to automate the Cu-Sum statistical ship loading plan. To date, two export elevators are installing automated weighing equipment and five other elevators are considering automating.
2. Official Commercial Inspection Service (OCIS). Between September 1, 1991, and January 31, 1992, FGIS conducted a pilot study to determine the feasibility of offering a "flexible" inspection service that would allow users to tailor grain inspection services, including the issuance of certificates, to fit their individual needs. The service allowed users to select specific features from other "complete" services, or modify the current inspection procedures, without sacrificing inspection quality. Study findings indicated that State and private official agencies could provide a "flexible" service and, more importantly, that the grain industry wanted and would use such a timely and cost-effective service. This inspection service was fully implemented May 1, 1992.

FGIS projects that the OCIS will increase the number of trucklot inspections performed by State and private official agencies by as much as 25 percent within 3 years, from 360,452 trucklots in fiscal year 1991, to 450,000 in fiscal year 1994. Hopper carlot inspections should increase by about 10 percent during the same period, from 944,246 in fiscal year 1991 to 1 million in fiscal year 1994. The number of trucklot and hopper carlot inspections performed by FGIS should increase by about the same percentage.

3. Railroad Track Scale Testing Equipment. During fiscal year 1992, FGIS developed specifications for and purchased a railcar specially outfitted with material handling equipment and 100,000 pounds of standard test weights to test official railroad track scales. The new railcar, FGIS' third railroad track scale test car, is servicing the central United States. The purchase of the new test car was financed by excess funds accumulated annually by the Association of American Railroads, which funds a major portion of the FGIS Track Scale Testing Program.

4. Soybean Monitoring Projects. FGIS participated in two collaborative studies to collect information about changes in soybean quality between origin and destination. The first was with the Japan Oilseed Processors Association and the Japan Oilstuff Inspectors' Corporation; the second was with the European Community Seed Crushers' and Oil Processors' Federation. The results of both studies, which should be available in 1993, should help the participants address Japan's and Western Europe's past concerns about foreign material in U.S. soybeans.
5. Aflatoxin Testing. FGIS revised the regulations under the Act to implement mandatory aflatoxin testing of corn exported from the United States. The mandatory testing became effective on February 21, 1992.

WEDNESDAY, FEBRUARY 17, 1993.

AGRICULTURAL COOPERATIVE SERVICE

WITNESSES

RANDALL E. TORGERSON, ADMINISTRATOR, AGRICULTURAL COOPERATIVE SERVICE

JAMES E. HASKELL, DEPUTY ADMINISTRATOR

JOHN J. NEESEN, BUDGET AND ACCOUNTING DIVISION, ANIMAL AND PLANT HEALTH INSPECTION SERVICE

STEPHEN B. DEWHURST, BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

OPENING REMARKS

Mr. DURBIN. We now invite the panel on the Agricultural Cooperative Service, the Administrator of that Agency, Dr. Randall E. Torgerson; along with James E. Haskell, Deputy Administrator; John J. Neesen, Budget and Accounting Division, Animal and Plant Health Inspection Service; and Stephen B. Dewhurst, Budget Officer, Department of Agriculture.

Your statement, in its entirety, will be included in the record. It will be pored over and inspected in detail by members of the Subcommittee. If you would be kind enough to give us the briefest possible and yet complete summary of your testimony, we will then ask a few questions of you.

Will you please proceed.

ADMINISTRATOR'S REMARKS

Dr. TORGERSON. Mr. Chairman and Members of the Committee, it is our pleasure to present to you some of the issues and challenges facing the Agriculture Cooperative Service.

I might note parenthetically at the outset that we are shifting gears here from regulatory agencies to one that is purely service in nature. Our mission is to promote understanding and use of the cooperative form of business as a viable option for agriculture producers and other rural residents.

We try to help them effectively use the cooperative form of business to improve their economic well-being and quality of life. And in so doing, we serve cooperative members, directors, management, educational institutions, organizations, rural residents and others with interests in this form of business. Our legislative authorities are found in the Cooperative Act of 1926, and the Agricultural Marketing Act of 1946. We have the missions identified in our prepared statement.

Our organization is essentially Washington-based, with the exception of three one-person field offices, and those are located in Columbus, Ohio; Raleigh, North Carolina; and Hilo, Hawaii.

Mr. DURBIN. Do you rotate through that Hilo office?

Dr. TORGERSON. We have had some changeover there. It is a very popular one, but also one with a lot of projects going on.

Mr. DURBIN. We are going to have to take a look at that.

Go ahead.

Dr. TORGERSON. The agency has a current staff year ceiling of 69, and currently is staffed at that level, and we are funded almost entirely through appropriations. We have a small amount received through user fees and some of our publications.

The appropriations for fiscal year 1993 was \$5.6 million, the same as in fiscal year 1992.

I might identify for you our mix of activities, and I have quite a bit of description of our organizational structure, which I will skip over.

During the past year, the agency staff participated in 123 technical assistance projects involving 131 cooperatives and producer groups in fiscal year 1992. That happened to be a high for the agency.

Of these, 80 projects involved emerging or developing projects or producer groups. Eight producer groups were incorporated as new cooperatives in 1992. In addition to this type of work, we host a lot of foreign visitors through the office. As a matter of fact, we met with people from a number of different countries during the past year, many of them from eastern European and the NIS, and gave them briefings on the cooperative form of business, how it might serve their use and how it fits into the cooperative policies that we have in this country, in a descriptive way.

Let me highlight for you very, very briefly a couple of issues. As farmers and other rural residents look throughout the remainder of the 1990s and beyond, we are seeing a lot of change in the world and in the marketplace. It is changing very rapidly. And in the future, as in the past, one of the most important and significant tools for managing risks will be the cooperative form of business organization.

The reason for that is that cooperatives are one of the tools that farmers and other rural residents use to take control of their own economic lives.

I think it is very significant that it is in support of this private sector approach that the Federal Government has historically made its investment in promoting knowledge and use of the cooperative form of business.

The Federal Government has attempted to ensure that all farmers and rural residents are able to avail themselves of this crucial tool, solving their own problems and meeting future challenges in the marketplace.

There are three broad issues in rural America today, Mr. Chairman and members of the committee, that I would like to call your attention to, which need continued work by our agency. Building self-help organizations, rural development, and educational activities.

The magnitude of changes in markets inevitably calls for the use of institutional mechanisms like cooperatives, like State and Federal marketing orders, and other self-help measures that enable farmers and ranchers to cooperatively market their products in an orderly fashion. Our role is to help identify organizational approaches as well as marketing strategy that addresses producer needs and assures continuation of the public goods that cooperative marketing offers.

The second challenge can be viewed in the context of rural community development as a whole. In the general downturn that we experienced in the rural economy in the mid-1980s, many main street businesses and small towns were boarded up and community infrastructure was greatly weakened.

This development has given more exposure to the cooperative form of business and the possibilities it represents as a tool for rural development.

Again, public goods opportunities for cooperatives have therefore expanded as rural residents look to themselves for locally generated solutions and rely on resources to generate local options.

Through its program of helping others to help themselves, the ACS program has been the point agency in Federal Government's effort to promote and stimulate a strong cooperative infrastructure.

The third area concerns educational activities which have been eroding at all levels in the past two decades. We have just completed a national education task force study which identifies measures that ACS and other cooperative educators can take to address deficiencies in education on cooperatives.

Of particular importance is the recommendation that we do a better job of educating the educators, and those at the state and local level who work closely with farmers and other rural residents.

These people need to understand enough about cooperatives to recognize when a cooperative approach is needed and to get farmers and other rural residents off on the right track.

In conducting our activities, we work closely with the land grant universities and university personnel. This effort has been highly effective over the years. However, we are seeing cooperative-related research disappearing at many of our universities, and with it the teaching and development of students possessing a strong base of knowledge on cooperatives.

This emphasizes the importance of ACS's continued program of research and educational material development at the Federal level as well as collaboration on these research initiatives.

With that, Mr. Chairman, I thank you for the opportunity of presenting this statement and I will be happy to respond to any questions that you may have.

[CLERK'S NOTE.—Mr. Nessen's biography appears on page 306. The Administrator's prepared statement appears on pages 307 through 317. The budget explanatory notes were received by the Committee on April 28, 1993 and appear on pages 318 through 331.]

COOPERATIVE SIZE

Mr. DURBIN. Thank you very much. Let me ask a few general questions. When one says the word "cooperative" there are many different reactions. As you have described it, I envision cooperatives in their earliest stages with a number of producers coming together and deciding this is their only way to enter the market. It has a certain heroic quality to it. They are trying to survive and they are working against larger market forces. But of course, cooperatives today range widely. There are some cooperatives that are multi-billion dollar operations that are served by your Agency.

I note in last year's testimony, you identified some 4,663 different cooperatives that you were aware of, as farmer-owned cooperatives. At the time you said 75 to 80 percent of them had sales over a million dollars. So we are not dealing, for the most part, with small handfuls of them coming together and trying to find their way to the market.

These cooperatives are becoming larger and more economically sophisticated. Some of them have found their way to the Fortune 500 over the years. I also note here your 1990 track record where you were successful in helping to create 10 new cooperatives. We lost some 220 cooperatives during the same period, which leads us to conclude that the trend over the last 10 years is having fewer but larger cooperatives.

Which raises the bottom line question: Why are the Federal taxpayers subsidizing the kind of services that you provide through your Agency? Specifically, why would we pay \$194,000, according to last year's statement, for the distribution of your publication while only recouping a little over \$13,000 in subscription fees? It is clearly a heavily subsidized publication, headed out to cooperatives which, as I say, have 75 to 80 percent of their sales in excess of a million dollars annually.

Have we reached a point where we can't really afford to subsidize these larger cooperatives the way we have in the past?

Dr. TORGERSON. Let me respond to that in this way, Mr. Chairman. I think we have to look behind the cooperative and really look at what the cooperative is. Basically it is an off-farm extension of the farm firm, that is, a group of farmers investing, coalescing together, and putting capital at risk to establish a business entity representing them and their interests in marketing or supply acquisition. They, of course, are very prominent in your state, through the Growmark operation.

These are farmers that we are talking about, and it is farmers and farmer friendly attitude and orientation that we are representing. In today's business world, there is recently a report put out by Food Processing Magazine, every December they come up with the largest 100 food companies. The largest in that group have annual sales upwards of \$51 billion. The largest agricultural cooperative today has sales of about \$4 billion.

So I think what we are seeing is that our cooperatives, even the largest ones, are pretty much small potatoes in the evolving business world. And so I kind of view these folks, even the larger ones, as having needs that are very legitimate from the agency, and that

our mandate as provided in the law is basically to serve all shapes and sizes.

Mr. DURBIN. Did you say your budget is about \$5 million a year?

Dr. TORGERSON. It is about \$5.6 million.

Mr. DURBIN. Do you think there are still about 4,600 or so co-ops?

Dr. TORGERSON. There are about 4,500 today.

Mr. DURBIN. Is it unreasonable to think that each one could contribute \$1,000 to your agency and still be well served?

Dr. TORGERSON. About 90 percent of the cooperatives today have annual sales under \$20 million a year. In most rural communities today, those would be considered pretty small businesses.

Could they contribute? Many of them, as you perhaps know from your own State, are involved in what we would call the commodity end of the business, which tends to be the lower margin end. We have an emphasis now to try to get them into more value-added types of processing where the margins would be higher. But the margins of many of the ones in business today are first handler type operations. Based on the thin level of margins and fluctuating earnings that are part of market orientation and lower farm program safety nets; many of them would not be able to fork that up.

Mr. DURBIN. Well, I happen to think that some of them would be able to put up the equivalent of a round-trip air fare ticket to Washington to keep your agency in business to provide assistance to cooperatives.

I also agree with you, though, there are certainly those fledgling operations which need a helping hand, technical assistance and research to get off the ground and become viable cooperatives. I think perhaps we should look at a way of serving both masters. A way to provide assistance to the ongoing cooperatives and the ones that can afford the services they look to you for, at a reasonable price, and giving the new starts perhaps more of a helping hand at a lower cost.

COOPERATIVE STATISTICS

Mr. DURBIN. Please provide a table showing the number of farmer cooperatives in the United States for each of the past ten years and your analysis of the trend.

[The information follows:]

Farmer cooperatives, 1982-91

Year:	Number
1982.....	6,125
1983.....	5,989
1984.....	5,782
1985.....	5,625
1986.....	5,369
1987.....	5,109
1988.....	4,937
1989.....	4,799
1990.....	4,663
1991.....	4,494

The declining number of farmer cooperatives is a reflection of consolidation of many of the cooperatives into larger ones. Since 1970, ACS has kept a record of the cooperatives removed from its list of farmer cooperatives. Of the 5,803 cooperatives removed from ACS's list, 30.6 percent were merged, consolidated, or sold to other firms. Another 37.5 percent were removed because of dissolution. It's believed that the assets of many of these latter cooperatives were bought by other cooperatives. The remaining cooperatives (31.9 percent) were removed from ACS's list for other reasons such as inactive or no longer a bona-fide cooperative.

COOPERATIVE PUBLICATIONS

Mr. DURBIN. How many subscribers do you have for the monthly magazine, *the Farmer Cooperatives*? What is the cost to the agency to produce this magazine?

Dr. TORGERSON. *Farmer Cooperatives* has a national readership of 6,000 made up primarily of cooperative management and directors. Of that, one-fifth are paid subscriptions. At the end of fiscal year 1992, the Government Printing Office had 1,266 subscriptions.

Including allocated salaries, agency overhead, production costs, and postage, the total of producing the magazine was \$202,600.

Mr. DURBIN. Do subscriptions pay the total cost of this publication?

Dr. TORGERSON. No, subscription revenue brings in \$17,724 to partially offset production costs of the magazine.

Mr. DURBIN. How much did you recoup in receipts from magazines and other publications during fiscal year 1992?

Dr. TORGERSON. We recouped \$7,592.87 in publication user fees, and the \$17,724 from the *Farmer Cooperatives* magazine, to total \$25,317 for the fiscal year.

TOP 100 COOPERATIVES

Mr. DURBIN. What is the range in sales of the largest 100 farmer cooperatives?

Dr. TORGERSON. The range in sales of the largest 100 farmer cooperatives in 1992 was from a high of \$3.7 billion to a low of \$80 million.

Mr. DURBIN. Provide for the record a table comparing the range in sales of these largest cooperatives for fiscal years 1986 through 1992.

[The information follows:]

RANGE OF TOTAL SALES FOR THE 100 LARGEST AGRICULTURAL COOPERATIVES, 1986-1992 ¹

(In millions of dollars)

Year	High	Low
1986.....	3,540.5	54.1
1987.....	3,264.7	46.3
1988.....	2,913.8	65.4
1989.....	3,246.8	76.6
1990.....	3,631.0	78.3
1991.....	3,672.0	78.9
1992 ²	3,723.1	80.0

¹ Sales include marketing sales, farm supply sales and other income.

² Estimated

COOPERATIVE DEVELOPMENT

Mr. DURBIN. How many cooperatives did you help establish during fiscal year 1992? Please list by name, location, and general farm product additions to the cooperative community.

Dr. TORGERSON. ACS helped to incorporate 8 cooperatives in 1992. I will provide a list of the 8 cooperatives for the record.

[The information follows:]

COOPERATIVE NAME. LOCATION. GENERAL FARM PRODUCT

Indian River Arts and Crafts Cooperative, Aniak, AK. Crafts—Marketing Eskimo arts and crafts.

Virginia Lamb Marketing Cooperative, Flint Hill, VA. Livestock—Sells lamb products for members.

Mountain Lamb Cooperative, Brigham City, UT. Livestock—Sells lamb products for members.

Central Kentucky Hog Marketing Association, Springfield, KY. Livestock—Arrange sale and transportation of market hogs.

Eastern Llama Breeders Cooperative, Inc., Charlottesville, VA. Livestock—Sale of llamas.

Cedar Key Shellfish Cooperative, Cedar Key, FL. Fishery—Markets oysters for members.

Apalachicola Bay People's Seafood Cooperative, Eastpoint, FL. Fishery—Markets fin fish and clams for members.

Hawaii Tropical Fruit Cooperative, Hilo, HI. Fruit—Markets various exotic tropical fruits for members.

Mr. DURBIN. For the record please provide a ten-year table showing the number of cooperatives established each year.

Dr. TORGERSON. I will provide the requested information for the record.

[The information follows:]

Cooperatives incorporated with ACS assistance, fiscal year 1983-1992

Fiscal year:	No. incorporated
1983	3
1984	7
1985	1
1986	8
1987	6
1988	7
1989	9
1990	10
1991	8
1992	8

COOPERATIVE STATISTICS

Mr. DURBIN. Please provide a ten-year table showing the number of cooperatives that went out of business during each of the fiscal years from 1980 through fiscal year 1992.

Dr. TORGERSON. I will provide the requested information for the record.

[The information follows:]

Number of cooperatives dropped from ACS's list of cooperatives, 1980-92¹

Year:	No. dropped
1980	203
1981	205
1982	229
1983	214
1984	217

1985	218
1986	280
1987	280
1988	189
1989	231
1990	222
1991	239

¹ Includes cooperatives that discontinued operations, merged or consolidated with other organizations, were acquired by other cooperatives or noncooperatives, became inactive, or no longer operated as a farmer cooperative. Data for 1992 are not yet available.

Mr. DURBIN. Please provide for the record a table, showing by State, the number of cooperatives, the combined sales volume, and the cooperatives' share of total farm products marketed for fiscal year 1992.

Dr. TORGERSON. I will provide the requested information for the record.

[The information follows:]

NUMBER OF COOPERATIVES HEADQUARTERED IN STATE AND COMBINED SALES VOLUME OF
COOPERATIVES OPERATING IN STATE, 1991 ¹

State	Number	Sales (millions)
Alabama	70	\$881.7
Arizona	12	695.4
Arkansas	84	1,349.4
California	194	8,014.4
Colorado	63	733.0
Connecticut	5	176.7
Delaware	3	100.5
Florida	53	2,240.6
Georgia	15	1,007.6
Idaho	46	850.5
Illinois	245	4,022.8
Indiana	71	2,290.7
Iowa	292	5,848.8
Kansas	191	2,264.8
Kentucky	54	822.6
Louisiana	61	500.5
Maine	7	247.9
Maryland	16	442.2
Massachusetts	11	733.7
Michigan	84	1,979.5
Minnesota	422	5,915.2
Mississippi	109	2,115.6
Missouri	77	2,170.8
Montana	94	427.6
Nebraska	179	2,792.9
New Jersey	19	501.3
New Mexico	8	70.2
New York	170	2,080.0
North Carolina	27	810.5
North Dakota	295	2,104.5
Ohio	115	2,430.6
Oklahoma	126	999.7
Oregon	43	1,275.2
Pennsylvania	81	1,970.9
South Carolina	9	293.2
South Dakota	186	1,562.5
Tennessee	85	691.3
Texas	309	2,596.2
Utah	28	423.0
Vermont	9	439.6

**NUMBER OF COOPERATIVES HEADQUARTERED IN STATE AND COMBINED SALES VOLUME OF
COOPERATIVES OPERATING IN STATE, 1991 ¹—Continued**

State	Number	Sales (millions)
Virginia.....	82	912.1
Washington.....	99	2,117.4
West Virginia.....	30	111.6
Wisconsin.....	265	6,011.7
Wyoming.....	18	108.0
Other states ²	32	633.6
Foreign ³		768.1
Total.....	4,466	⁴ 76,636.3

¹ Sales excludes intercooperative business.

² Information for these States were grouped to avoid disclosure.

³ Includes value of farm products imported, farm supplies exported, services related to imported farm products or exported farm supplies, sales to domestic military installations, or sales of farm products not received directly from member patrons.

⁴ Totals may not add due to rounding. In 1991, cooperatives' share of total farm products marketed at the first handler level was estimated at 28 percent.

Mr. DURBIN. For the record please provide a table that shows the cooperatives' share of farm products marketed in 1980 and the most recent past five years.

Dr. TORGERSON. I will provide the requested information.
[The information follows:]

COOPERATIVES' SHARE OF FARM PRODUCTS MARKETED ¹

Year	All farm products	Milk	Livestock	Poultry	Cotton	Fruits and vegetables	Grains
1980.....	31	71	13	9	34	25	45
1987.....	24	76	8	(²)	37	23	26
1988.....	25	76	7	(²)	40	24	30
1989.....	28	80	8	(²)	40	18	36
1990.....	27	³ 81	9	(²)	35	18	38
1991.....	28	81	8	(²)	36	20	38

¹ Share estimates are made at the first-handler level. Shares are based on calendar year data. Share estimates for 1992 are not available.

² Poultry share estimates were not reported after 1985. Because of its integrated nature, the poultry industry does not have an easily definable first-handler stage at which cooperative share can be measured.

³ Revised.

Mr. DURBIN. Please update for the record last year's table showing the combined farm incomes, sales, net margins, assets, and returns on assets for cooperatives, to include 1991 and 1992.

Dr. TORGERSON. I will provide the information requested.
[The information follows:]

U.S. FARMER COOPERATIVES ¹

Year	Net farm income ² (billions)	Farmer cooperatives			
		Sales ³ (millions)	Net margins (millions)	Assets (millions)	Return on assets ⁴ (percent)
1981.....	\$26.9	\$71,534	\$1,440	\$28,840	5.0
1982.....	23.8	69,150	854	28,553	3.0
1983.....	14.2	66,755	1,055	28,810	3.7
1984.....	26.1	73,047	1,009	29,182	3.5
1985.....	28.8	65,601	775	27,779	2.8
1986.....	31.1	58,395	688	26,496	2.6
1987.....	39.7	60,318	1,486	27,643	5.4

U.S. FARMER COOPERATIVES ¹—Continued

Year	Net farm income ² (billions)	Farmer cooperatives			
		Sales ³ (millions)	Net margins (millions)	Assets (millions)	Return on assets ⁴ (percent)
1988	41.1	66,430	1,680	29,286	5.7
1989	49.9	72,129	1,851	29,649	6.2
1990	51.0	77,266	1,440	30,024	4.8
1991	44.6	76,636	1,570	31,268	5.0

¹ Data are based on a calendar year. Data for 1992 are not yet available.

² Source: "Economic Indicators of the Farm Sector: National Financial Summary, 1991." Agriculture and Rural Economy Division, Economic Research Service, U.S. Department of Agriculture. ECIFS 11-1, p. 18.

³ Excludes intercooperative business.

⁴ Includes cooperatives that operate on both a pooling and a pooling and net margins basis. Shows relative changes from year-to-year and not actual return on assets.

Mr. DURBIN. Dr. Torgerson, the Agricultural Cooperative Service was scheduled during fiscal year 1992 to convert its entire computer system from the Martin Marietta Information System to PCs and the Kansas City Computer Center. Did the conversion take place? What was the cost of annual contracts with Martin Marietta? Do you project any annual savings from the conversion?

Dr. TORGERSON. Yes, the conversion has taken place. However, ACS has never had a direct contract with Martin Marietta. ACS received computer support from the National Agricultural Statistics Service (NASS) for about 12 years where their computer services were provided by the Martin Marietta Data Systems (MMDS). ACS paid NASS for services provided through an interagency agreement.

The average cost for the services provided by NASS was approximately \$56,500 per year. By converting to an inhouse system; personal computers and a local area network and using USDA's National Computer Center at Kansas City, the agency is projecting savings of about \$40,000 per year.

RURAL DEVELOPMENT

Mr. DURBIN. Dr. Torgerson, you point out in your statement that rural development is a key component of cooperatives. Cooperatives generate jobs and income and the income is spent locally. Do you respond only to requests or is there an avenue for you to promote cooperatives for rural development sake?

Dr. TORGERSON. While our technical assistance programs for both new and existing cooperatives operate on a request basis, we are charged by the Cooperative Marketing Act to "... promote the knowledge of cooperative principles and practices. ..." We perform that role through our research, information, and cooperative educational missions. The cooperative model may very well be an appropriate organizational tool for selected rural development efforts.

RESEARCH PROJECTS

Mr. DURBIN. Dr. Torgerson, in fiscal year 1992 Congress provided the Agricultural Cooperative Service an additional \$500,000 to begin research projects related to agricultural cooperatives. At last year's hearing you indicated that you were reviewing the research proposals the Department currently had. A decision on which

agreements and a research agenda would be completed soon. Would you please give us an update of the research agenda and provide us with a list of all the individual contracts and the proposals?

Dr. TORGERSON. ACS awarded 16 new cooperative research agreements in 1992 and allowed for the extension of one other. The research issues and institutions involved in the agreements are provided for the record.

[The information follows:]

Updating Computer Software for Analyzing Milk Hauling Costs, Cornell University.

Optimal Capital Structure of Local Grain Marketing and Farm Supply Cooperatives, Kansas State University.

Responses of Grain Marketing Cooperatives to Reduced Federal Storage Income, North Dakota State University.

Optimum Size Sales Area for Fuel and Fertilizer Supply Cooperatives, North Dakota State University.

Valuation of Transferable Delivery Rights, University of California—Davis.

The Dynamics of Equity and Benefits Allocation over Time for Cooperative Enterprises—Implications for Financial Management, University of Minnesota.

Special Census Tabulation of Large Cooperative Food Manufacturers, University of Massachusetts.

Impact of Trading Blocs on California Agricultural Marketing Cooperatives, Center for Cooperatives, University of California—Davis.

Cooperatives, Community Development, and Entrepreneurial Social Infrastructure, Virginia Polytechnic Institute.

Cooperative Strategic Performance, University of Connecticut.

Potential for Cooperative Marketing in Organic Markets, Colorado State University.

Characteristics Affecting Cooperative Financial Results, University of Nebraska. Cooperative and Grain Marketing Training for Directors, The Ohio State University.

Key Factors in Formation and Success of New Cooperatives, The Ohio State University.

Marketing Consortium, Farm Foundation.

Cooperative Marketing Alternatives for Sheep and Lamb Producers, Virginia Polytechnic Institute and University.

Ethics and Agricultural Cooperatives, Iowa State University.

Mr. DURBIN. Last year, you indicated that one of the largest research studies being carried out was to examine the present cooperative education program at the national, State, and local levels, and that this project was being done in conjunction with the National Council of Farmer Cooperatives and several of the State Cooperative Council Associations. Can you provide some detail as to what you have learned from that study and which States participated in it? Is it continuing into fiscal year 1993? What is the anticipated total cost?

Dr. TORGERSON. The findings of the recently completed Task Force on Cooperative Education Study provide several specific recommendations and a framework around which the variety of institutions and organizations involved in cooperative education can plan their own program and initiatives. Participation in the study included survey recipients and focus panel members from nearly every State in the Nation and nearly every component of the cooperative education system. The vast majority of participants volunteered their involvement at their own expense. I will expand my answers for the record.

[The information follows:]

Several themes have emerged which make it abundantly clear that ACS needs to embark on a major effort to encourage and support increased cooperative education. Four major areas have been identified as needing urgent and significant attention: (1) Educating the educators—rebuilding the level of knowledge and expertise on cooperatives among the State and county-level extension personnel to whom producers typically turn first for advice; (2) establishing sound measures of education performance and impact to induce cooperatives and educational institutions to make a greater investment of resources in cooperatives; (3) modernization of many of the traditional training materials, particularly for cooperative members and directors and nontraditional agriculture cooperatives; and (4) building an informational exchange and materials network to coordinate the efforts of various groups involved in cooperative education.

The estimated costs of ACS efforts in this project are \$84,000 in fiscal year 1992 and \$10,000 in fiscal year 1993. Fiscal year 1992 costs are composed primarily of staff time and travel costs. Fiscal year 1993 costs are composed primarily of staff time and publication costs.

REGIONAL FIELD OFFICES

Mr. DURBIN. Describe for us the responsibilities of each of the Regional Field Offices and specific actions that occurred there during fiscal year 1992. Also, what activity is projected for fiscal year 1993 related to these offices?

Dr. TORGERSON. The ACS Field Offices contribute on a regional basis to fulfillment of the mission of the Cooperative Development Division, ACS, of which they are a part. That is: The Cooperative Development Division specializes in technical assistance to agricultural and rural producer groups interested in organizing a cooperative, and to developing co-ops, so they can make wise choices, determine co-op feasibility, meet an economic need, successfully operate on sound business principles, and increase member income.

I would like to provide additional information for the record.

[The information follows:]

The work of each Field Office carries out the following basic objectives:

a. Provide technical assistance to groups of producers interested in forming a cooperative by helping to:

- (1) Determine the feasibility of the proposed venture.
- (2) Organize these producers into a functioning and committed group which will organize the cooperative corporation.
- (3) Develop and give guidance in implementing a business plan.
- (4) Assist operating cooperatives, still in emerging stages, to improve their operations and to be financially sound.
- (5) Promote understanding of cooperative principles and operations and skill development through workshops for managers, directors and others assisting organizations.

(6) Identify and pursue opportunities to promote use of the cooperative form of business by producers and other rural residents.

Field Offices are located in Columbus, OH, Raleigh, NC, and Hilo, HI. Each office is staffed by one agricultural economist or agricultural marketing specialist, and supported with part time secretarial assistance.

A list of all projects in fiscal year 1992, by Field Office location, follows:

NORTH CAROLINA

Farmers Pest Management Service Cooperative, Edenton, NC. Assisted board and manager with analysis of 1992 financial statements, projections for 1993, and preparation of a board policy handbook.

Coastal Carolina Small Farmers Cooperative, Kenansville, NC. Assisted board with development of bylaws for the cooperative, developing a functioning board, and with financial projections. Worked with sponsoring agency (North Carolina Coalition of Farm and Rural Families, Inc.) on development of appropriate relations with cooperative.

James City County Farmer's Market, Williamsburg, VA. Assisted board and manager in review of operating results and development of 1992 operating plan.

VA-CAR Peanut Farmers Cooperative, Franklin, VA. Assisted board and manager with review of operating results, and review of capital structure and equity redemption.

Mattamuskeet Sweet Onion Cooperative, Engelhard, NC. Assisted board in review of operating procedures. Worked with officers on development of computerized book-keeping system.

OHIO

Muskingum Valley Christmas Tree Growers' Association, Adamsville, OH. Assistance included board training sessions in cooperative principles and board responsibilities, review of operating results, and strategic planning sessions.

Farmers Market Association of Toledo, Toledo, OH. Assisted producers and the City, Extension staff, and consultants to organize the producer corporation, to identify structural and organizational needs, negotiate an agreement with the City, and establish operating rules and procedures for cooperative operation in the 1993 season.

Ohio Sheep Improvement Association, Dublin, OH. Assisted sheep producers evaluate the potential for a cooperative to market lamb by conducting a producer survey.

Crooked River Growers, Burton, OH. Conducted informational meeting with vegetable producers and resource agency staff to evaluate need for a cooperative and to discuss cooperative organizational process.

Pest Management Co-op, Medina, OH. Assisted in evaluating feasibility of a pest management cooperative.

HAWAII

Kona Pacific Coffee Cooperative, Captain Cook HI. ACS field office played a very intensive role over the past three years with the two cooperative's boards and manager to facilitate discussion and resolution of issues, and bring about membership votes.

Maui Farmers Cooperative Exchange, Wailuku, HI. Assisted manager and board analyze each cost center of the cooperative's operations, establish better record keeping system, and completed strategic planning sessions.

Export Chapter, Hawaii Association of Nurserymen, Hilo, HI. Assisted board evaluate potential for shipping cooperative.

Molokai Cooling Cooperative, Hoolehua, HI. Assisted board review cooperative operations and performance.

Molokai Livestock Cooperative, Kannakakai, HI. Assisted in evaluation of feasibility of small cooperative slaughter cooperative. Conducted producer and market surveys.

Hawaii Ginger Commodity Group Association, Hilo, HI. Advised board on improvements in planning and operations.

Molokai Ice House, Inc., Kaunakakai, HI. Advised board on business planning and construction contracting for a new cooperative ice-making facility.

Small Cattle Ranchers Cooperative, Kamuela, HI. Assisted steering committee evaluate potential for livestock marketing cooperative and advised on cooperative organization process.

Approved development projects and cooperatives receiving, or expected to receive, assistance in fiscal year 1993 include:

NORTH CAROLINA

Farmers Pest Management Service Cooperative, Edenton, NC. Continued assistance as described above.

Coastal Carolina Small Farmers Cooperative, Kenansville, NC. Continued assistance as described above.

Mattamuskeet Sweet Onion Cooperative, Engelhard, NC. Will assist in development of written board and operating policies.

Carolina Herb Growers, Mars Hill, NC. Will assist in cooperative incorporation process and development of appropriate operating procedures.

Mountain Organic Growers, Asheville, NC. Will assist in cooperative incorporation process and development of appropriate operating procedures.

North Carolina Organic Grower's Association, Angier, NC. Will assist in cooperative incorporation process and development of appropriate operating procedures.

James City County Farmer's Market, Williamsburg, VA. Continued assistance as described above.

VA-CAR Peanut Farmers Cooperative, Franklin, VA. Continued assistance as described above.

Georgia Farm Bureau Marketing Association, Macon, GA. Will assist producers evaluate potential for cooperative, and follow-up as appropriate.

Sea-Island Cooperative, Charleston, SC. Will assist in improved cooperative operations and board performance.

OHIO

Muskingum Valley Christmas Tree Growers' Association, Adamsville, OH. Continued assistance as described above.

Farmers Market Association of Toledo, Toledo, OH. Will assist board establish appropriate policies and operating procedures.

Ohio Sheep Improvement Association, Dublin, Oh. Will assist in producer information meetings and determination of feasibility of a lamb marketing cooperative.

Pest Management Co-op, Medina, OH. Will assist board establish appropriate policies and operating procedures.

Owensboro vegetable producers, Owensboro, KY. Will assist producers establish cooperative and appropriate policies and operating procedures.

Lincoln Hills vegetable project, Cannelton, IN. Will assist producers evaluate potential for a vegetable marketing cooperative.

Melon producers cooperative, Vincennes, IN. Will assist producers evaluate potential for a fruit marketing cooperative.

HAWAII

DIVACO (Diversified Agricultural Consumer Cooperative), Hilo, HI. Will assist board and manager in strategic planning and development of appropriate operating policies and procedures.

Papaya growers, Pahoa, HI. Will assist producers evaluate potential for a vegetable marketing cooperative.

Kona Pacific Coffee Cooperative, Captain Cook, HI. Will assist board with strategic planning, better definition of the board's role and duties for the future, and financial operating projections.

Maui Farmers Cooperative Exchange, Wailuku, HI. Will assist board with strategic planning, development of board policies, and financial operating projections.

Small Cattle Ranchers Cooperative, Kamuela, HI. Will assist producers establish cooperative and appropriate policies and operating procedures.

Hana Flower Growers Association, Hana, HI. Will assist producers evaluate potential for cooperative.

Molokai Ice House, Inc., Kaunakakai, HI. Will assist in development of new operating plans upon completion of construction of facility.

Mr. DURBIN. Please provide a funding history table showing the amount spent for fiscal years 1991, 1992, and 1993 for the three Field Offices.

Dr. TORGERSON. I will provide the requested table for the record.
[The information follows:]

FUNDING HISTORY FOR ACS FIELD OFFICES

State	1991	1992	1993 (estimated)
Hawaii.....	\$71,323	\$75,889	\$79,683
Ohio.....	67,414	¹ 28,000	81,826
North Carolina.....	¹ 24,610	72,826	76,467

¹ Reflects period of time office was vacant.

TECHNICAL ASSISTANCE

Mr. DURBIN. Please list for the record the number of requests for technical assistance and services rendered.

Dr. TORGERSON. I will provide a list which shows the recipient, location and services rendered for each of the requests for technical assistance received and serviced during fiscal year 1992.

[The information follows:]

Panhandle Fishermen's Cooperative Association, Panacea, FL. Provide assistance and guidance in developing a fishermen's cooperative.

Western Grain Marketing, Inc., Stockton, CA. Study the feasibility of merging two grain cooperatives.

California Egg Marketing Association, Rancho Cucamonga, CA. Assist in examining joint egg marketing opportunities.

Alabama Rabbit Growers, Decatur, AL. Assist with business plan preparation and provide additional advice and guidance.

Thornwell Warehouse Association, Lake Arthur, LA. Study warehouse operations and suggest methods to improve operating efficiencies.

Hawaii Export Chapter, Hawaii Association of Nurserymen, Keaau, HI. Assist in determining market potential and improving access to export markets.

Organically Grown Cooperative, Eugene, OR. Assist in developing export markets.

Eastern Llama Breeders Cooperative, Charlottesville, VA. Assist in developing a marketing tool to sell llamas on the East Coast.

Gadsden Country Craft Project, Chattahoochee, FL. Assist in exploring the feasibility of organizing an arts and crafts cooperative.

Pennsylvania Sheep/Lamb Marketing Program, Claysville, PA. Assist in forming a lamb marketing cooperative.

North Central Wool Marketing Corporation, Minneapolis, MN. Develop a strategic plan including an update of ACS wool marketing report.

Elgin Winery Cooperative, Elgin, AZ. Provide assistance in the legal, financial, and marketing aspects involved in forming a cooperative.

Independent Cooperative Milk Producers Association, Grand Rapids, MI. Conduct an assessment of the product manufacturing plant and future directions for the cooperative.

Cedar Key Shellfish, Cedar Key, FL. Assist in forming a marketing cooperative.

Kalamazoo Valley Plant Growers Cooperative, Kalamazoo, MI. Assess membership policies.

Contract Poultry Growers Association, Nashville, AR. Assist in organizing a national contract poultry growers cooperative association.

St. Albans Cooperative Creamery, Inc., St. Albans, VT. Assist in examining how other cooperatives address representation and election of board members.

Mid-America Dairymen, Inc., Springfield, MO. Assist in conducting a membership survey.

Apalachicola Bay People's Seafood, Eastpoint, FL. Provide assistance in creating a business plan and conduct feasibility studies.

Northeast Dairy Cooperatives, Various cities, NY. Merger study for several dairy cooperatives.

Rice Paddy Grower Steering Committee, Colusa, CA. Assist in developing organizational and operational plans.

The Ohio Sheep Improvement Association, Dublin, OH. Provide advice and guidance in establishing a cooperative.

Ozark Organic Growers Association, Fayetteville, AR. Assist in forming a cooperative.

L.A.M.B. Cooperative, Inc., Parish, NY. Need improvement in the organization and operations.

WILAMBCO Project, Columbus, WI. Help form a cooperative to serve lamb producers.

Iowa Institute for Cooperatives, Ames, IA. Request evaluation of Iowa State Cooperative Council methods, services and activities and recommendations to improve future operations.

Sunbelt Organic Producers Association, Alachua, FL. Provide assistance in organizing a cooperative.

COBA/Select Sires, and others, Columbus, OH. Study the feasibility of merger among four artificial insemination cooperatives.

Blue Heron Botanicals, Mad River, CA. Provide assistance in developing a marketing cooperative.

NC Coalition of Farm and Rural Families, Inc., Durham, NC. Continue assistance in developing cooperatives among limited resource NC farmers.

Crooked River Growers, Burton, OH. Provide assistance in forming a formal cooperative.

Florida Peanut Producers, Williston, FL. Study the feasibility of forming a cooperative for marketing peanuts.

New Jersey Aquaculture Association, Toms River, NJ. Study the feasibility of forming a marketing cooperative.

Federated Genetics Council, Lancaster, PA. Provide an analysis of organizational options.

National Milk Producers Federation, Arlington, VA. Assist strategic planning and development for an export mechanism.

Coastal Growers Association, Westport, MA. Help establish a cooperative.

Independent Cooperative Milk Producers Association, Troy, MI. Conduct a competitive analysis.

Green River Marketing Association, Munfordville, KY. Help establish a marketing cooperative.

Redford Goat and Cheese Company, Alpine, TX. Help develop an organization to effectively market goat milk products.

Eight dairy cooperatives, various locations. Study and prepare a report on comparative dairy cooperative manufacturing costs.

Watermark Association of Artisans, Camden, NC. Establish a cooperative to export NC crafts.

Oregon Llama Group, Bend, OR. Establish a llama marketing cooperative.

Ore-Cal Resource Conservation and Development, Dorris, CA. Organize a mushroom grower cooperative.

Powder River Craft Cooperative, Broadus, MT. Organize a craft cooperative.

Farmers Pest Management Services Cooperative, Edenton, NC. Develop operational procedures and policies of the cooperative.

Tuscarora Organic Growers, Hustontown, PA. Formalize and develop a cooperative.

Taos Women's Craft Co-op, Ranchos de Taos, NM. Assist in organizing a craft cooperative.

Lincoln Hills Resource Conservation and Development, Cannelton, IN. Assist in starting a cooperative to market fruit and vegetables.

Waimea Cattleman Cooperative, Kamuela, HI. Assist in forming a cattle cooperative.

NOBA and Sire Power, Inc., Tiffin, OH. Explore joint operation alternatives.

Flue-Cured Tobacco Co-op Stabilization Corporation, Raleigh, NC. Assess options available to U.S. tobacco growers in supplying tobacco for use in generic cigarette production.

Michigan Agricultural Cooperative Marketing Association, Lansing, MI. Identify international business opportunities.

Carolina's Finest Herbs, Simpsonville, SC. Help start a cooperative.

Yankee Shepherd Cooperative, Groton, VT. Review bylaws, operating policies and procedures.

Cumberland County Farm Supply Group, Cumberland, VA. Evaluate the feasibility of supply cooperative.

Crownpoint Livestock Owners and Artisans, Window Rock, AZ. Establish a cooperative.

Pest Management Co-op, Medina, OH. Study the feasibility of pest management cooperative.

Southern Ohio Fruit & Vegetable Growers Association, Piketon, OH. Assist in starting a marketing cooperative.

Wisconsin Veal Grower's Association, Seymour, WI. Help form a cooperative to export veal.

Prairie States Dairy Goat Cooperative, Marmarth, ND. Help with finances, marketing and other operating issues.

Ocean Spray Cranberries, Inc., Lakeville-Middleboro, MA. Develop brief on Mexican market to determine appropriate entry strategy for sales and marketing of Ocean Spray beverages.

Southern Maryland Cooperative Produce Market, Leonardtown, MD. Evaluate opportunity for fruit and vegetable marketing cooperative.

Tri-Isle RC&D, Hana, HI. Help in forming a marketing cooperative.

Mr. DURBIN. At last year's hearing you had indicated that each new request for technical assistance cost approximately \$18,000 in 1991. Is that estimate still holding true during 1992?

Dr. TORGERSON. That estimate varies with the number of requests received during the fiscal year, the number outstanding

from a prior fiscal year, and the amount of staff time required for each project. In fiscal year 1992, we worked on 123 technical assistance and cooperative development projects with a total cost of \$1.84 million or an average cost per project of \$15,000.

ACS MISSION

Mr. DURBIN. Please provide us with a breakout of costs for each of the five basic parts of the Agricultural Cooperative Service, as reflected for fiscal years 1991, 1992, and 1993.

Dr. TORGERSON. I will provide, for the record, the requested information.

[The information follows:]

Programmatic area	1991 (actual)	1992 (actual)	1993 (estimate)
Technical assistance.....	\$1,049,160	\$886,582	\$919,385
Cooperative development.....	715,336	955,578	990,934
Research.....	1,764,496	2,263,427	2,262,388
Cooperative statistics.....	667,647	614,121	636,843
Education-information.....	572,269	800,820	830,450
Total.....	4,768,908	5,520,528	5,640,000

Mr. DURBIN. Also provide a three-year table that shows the cost based on function lines of the three divisions within the Agricultural Cooperative Service.

Dr. TORGERSON. I will provide the information requested.

[The information follows:]

Division	1991 (actual)	1992 (actual)	1993 (estimate)
Cooperative development.....	\$727,020	\$731,864	\$768,457
Cooperative marketing.....	1,288,582	1,115,559	1,171,337
Cooperative services.....	1,287,870	1,315,942	1,381,739
Total ¹	3,303,472	3,163,365	3,321,533

¹ Totals do not equal appropriated budget numbers since the Information Staff, Statistical Staff and the Office of the Administrator are not included.

Mr. DURBIN. Thank you. Mr. Skeen.

TECHNICAL ASSISTANCE

Mr. SKEEN. Thank you, Mr. Chairman and Dr. Torgerson.

Let me springboard on that particular area of concern. If I am not mistaken, you requested last year in your budget recommendation to reduce or eliminate free technical service to cooperatives making less than \$1 million a year.

What was the outcome? Did you follow through on that?

Dr. TORGERSON. We did not have a request from the committee.

Mr. SKEEN. Did you not?

Dr. TORGERSON. No. The OMB and so on has consistently in recent years—

Mr. SKEEN. Was that an OMB representation?

Dr. TORGERSON. Yes, sir it was.

Mr. SKEEN. Of course we will ignore that.

Dr. TORGERSON. In answer to your question, we have not implemented a user fee.

Mr. SKEEN. So you have not cut these folks off from technical assistance?

Dr. TORGERSON. No, sir we have not.

Mr. SKEEN. What is the nature of your technical assistance?

Dr. TORGERSON. It comes in all shapes and sizes, from requests from producer groups that want to organize a new cooperative—it also comes from established cooperatives which, by and large, in the 1980s went through the ringer.

Mr. SKEEN. Yes, they did.

Dr. TORGERSON. Yes, in terms of their status as business organizations. Many of them reduced on-staff expertise in the economic analysis and other areas. As a result, we have seen increased requests coming from a number of the established ones for the services of the agency.

Mr. SKEEN. What about data processing?

Dr. TORGERSON. Not that type of thing. Usually it is focused on a specific issue or question, change in governance given the changing size of farm members.

Mr. SKEEN. Statistical background?

Dr. TORGERSON. Yes, sir. We collect a lot of that and report it as well.

Mr. SKEEN. I appreciate what you said about educating the educators, especially for those that are in close contact with agricultural enterprises. But I was upset to understand that there has been a disappearance of cooperative-related research with the universities. What is the problem?

Dr. TORGERSON. Well, the university systems by and large nationally have been going through sizable reductions in certain areas.

Mr. SKEEN. An economic problem?

Dr. TORGERSON. Part of it, but also certain fads in what people want to specialize in. We have a lot of people who came in with expertise in this area in the early 1940s, late 1950s, who are now retiring, and they are not being replaced with people with competence in this area in many situations.

Mr. SKEEN. The department is talking about closing up and reorganizing SCS, ASCS, and so forth. What impact is this going to have on your Informational Distribution Service?

Dr. TORGERSON. We distribute a lot of the materials, publications and so on, through our own system.

Mr. SKEEN. Through your own network?

FIELD OFFICES

Dr. TORGERSON. Yes, and we have a lot of requests that come from State Cooperative Councils, and State Extension people and so on in respective states for that information.

As I mentioned in my testimony, we have three field offices in our Cooperative Development Division, and these are located where we have a locus of developmental activity taking place.

So it is cost effective for us to have a person there rather than flying someone back and forth from Washington numerous times and running up the cost on that ticket.

We have adopted a position of having flexibility when needs are met in specific areas, and those offices can be moved to other areas for field operations as required.

Mr. SKEEN. So you survey them, and then close them up if you need to?

Dr. TORGERSON. That is correct.

Mr. SKEEN. Thank you for your responses.

Thank you, Madam Chairman.

Ms. KAPTUR [presiding]. Thank you, Mr. Skeen.

COOPERATIVE MEMBERSHIP

Dr. Torgerson, welcome back to the committee. I was interested in the chairman's trying to understand the whole of your cooperative endeavors. I wanted to pursue that questioning a little bit so I can get an historical trend. Of all the farmers in the United States, regardless of what they produce, what percent of them would be involved in some sort of cooperative enterprise? I have absolutely no idea.

Dr. TORGERSON. We have done some studies on memberships in cooperatives, and this varies a great deal by commodity sector and location of the organizations in the country. It tends to be very, very high in proportion in the Midwest and the Plains States and the States like California, perhaps somewhat lower in the South-east.

So I guess in terms of percentages and so on, I think some of our work has shown that roughly about two-thirds of farmers have membership in one or more cooperatives.

Ms. KAPTUR. So there is a familiarity among the majority with the cooperative form of ownership.

Dr. TORGERSON. Yes, there is. But as generations change, there is that challenge of bringing the new generation up to speed on what it is and how it works.

Ms. KAPTUR. I view the mandate of your part of USDA as extremely important, because I really feel that certainly in my area and others, we have got to use the techniques that we have to help farmers take products to market and bring income back to themselves. So often they have been divested of the fruits of their production.

The only co-op I belong to is my credit union. I would like to see more aggressive behavior on the part of the your service. I don't quite know what that means, but I think we need to take what we know in the cooperative area and make it more readily available to newer farmers, to sectors perhaps that need attention.

I am very grateful to you for the efforts you have made through your Columbus office and my own district helping our farmers form their first marketing cooperative for their goods at our urban farmers market. This is something we talked about. Ours certainly is not the only urban area in America where our farmers can directly bring their goods.

This is the first time these farmers ever banded together. It should have been done 40 years ago. This is a case of omission in many places around the country, and why didn't this happen?

Maybe you didn't have enough budget, I don't know why, but it is such an obvious need in the area.

And it was such a logical extension of what they were already doing. The other day I bought a gallon of orange juice from Florida, not from concentrate. It was the best orange juice I ever had in my life and on the package it said it was from a farmers cooperative in Florida. I thought, onward. This is right. And I don't know who they are, but I have to visit them.

NATIONAL COOPERATIVE BANK

But I just think what you are doing, your budget is \$5.6 million. It is a very modest budget, as the USDA budget goes. In putting together this cooperative in my area, I asked some of the people from USDA, whether they had ever heard of the National Consumer Cooperative Bank, the name of which is now changed to the National Cooperative Bank, is that true?

Dr. TORGERSON. That is correct.

Ms. KAPTUR. It seems to me the linkage between what you do and what they do doesn't always happen at the local level. I don't quite understand why that is.

Ralph Nader just testified before the Banking Committee that they have completely abandoned their original mission as proposed by Congress. But I don't really understand how they relate to you. And if we were to, increase the linkage more, could they help, or is the traditional Farm Credit System really the best.

LEGISLATIVE AUTHORITY

Dr. TORGERSON. Could I respond to that?

Ms. KAPTUR. Yes, I didn't know if you knew—

Dr. TORGERSON. The legislative authority for the agency in the 1926 Act specifies that we should work with associations of agricultural producers. The National Cooperative Bank is set up to essentially serve the nonfarm sector, although many of the projects are found in rural areas.

So what we are probably looking at at some point in time is consideration of expanding the authorities of the agency to work with nonfarm rural cooperatives of the type that the bank is set up to serve.

Ms. KAPTUR. What about something like an urban marketing cooperative, like we are involved in?

Dr. TORGERSON. We think to the extent producers are involved, as we are working with now in Toledo, that would be clearly covered under the—1926 Cooperative Marketing Act because that is producers establishing a cooperative for further marketing.

Ms. KAPTUR. I would certainly like to work with you on that.

One of the other areas I would like to ask you about is the connection between what you do here at home and what we do abroad in terms of linking to cooperative efforts. One of my concerns, I don't know if you followed the China debate here up in Congress, but one of the items that has come up subsequently is our own Smithsonian Institution buying thousands and thousands of quilts from China. And the fact that we have lots of quilters out there in Appalachia and every place else, in my districts, that are not in

any type of business form to be able to produce at a level that the Smithsonian was willing to pay.

I am wondering whether your cooperative services are involved at all now in helping our local quilters in West Virginia, in Kentucky, Appalachia and so forth. Are they now working with you?

Dr. TORGERSON. Yes. The agency has had quite a long history of working with hand craft producers basically since the time of the Kennedy Administration, when a lot of OEO projects were formed and a lot of encouragement was given to producers in rural areas to use their skills and bring quality products to market.

This involves kind of a gray area, so to speak, in terms of who we are authorized to serve. But handcraft producers are a group that we have been serving.

Ms. KAPTUR. But obviously they didn't bid——

Dr. TORGERSON. No.

Ms. KAPTUR [continuing]. To the Smithsonian. They weren't even in the queue when the contract was let. Have you been involved subsequently to help them——

Dr. TORGERSON. We have not to my knowledge.

Ms. KAPTUR. So, this is the problem. Congresswoman Helen Bentley and I are very interested in this issue, and if the Smithsonian is going to procure historic quilts, there ought to be a way for American quilters who belong to cooperatives to bid for the business.

NAFTA

Ms. KAPTUR. The proposed agreement with Mexico, I am not sure just whether you have been approached within USDA to take farm co-ops from the United States and begin working with producers in Mexico so that farmers in both nations can benefit from the market integration that is going to occur.

Have you done any cooperative projects with Mexico?

Dr. TORGERSON. Not recently. In times past, we have had some requests of looking at ways of Mexicans accessing our markets. We have not had specific requests coming from the cooperatives to examine relationships of producers in both countries.

I would add, however, that we have given a lot of attention to NAFTA types of issues as they affect our existing cooperatives, and there is a high level of interest within the cooperative community on this issue ranging from sugar cane to dairy products to the fruit and vegetable interests in the Southwest.

Ms. KAPTUR. I'm sorry Pete Peterson from Florida isn't here, because one of the most threatened industries is orange and grapefruit. I am sitting here drinking this juice yesterday morning saying, why can't these growers who grow oranges and grapefruits, start looking at a different form of organization that bridges the two nations so that the farmers benefit and they are not exploited by the big corporations, and I think they will be, in both nations, and how does the cooperative form of organization help us address what obviously we are going to be facing here very shortly?

It troubles me that you have not been directed to at least look at that.

Dr. TORGERSON. We have got a couple of articles coming out in our monthly magazine on the NAFTA agreement and its impact on cooperatives, which I think are right on in responding to some of your questions. However, the issue of joint membership-type of issues have not been addressed at this point in time.

Ms. KAPTUR. Thank you.

Mr. DURBIN. Thank you. Mr. Pastor.

CLIENTELE FOR RESEARCH AND TECHNICAL ASSISTANCE

Mr. PASTOR. Thank you, Mr. Chairman. I have heard the testimony—there are about 4,900 cooperatives?

Dr. TORGERSON. About 4,500 today.

Mr. PASTOR. We spent about—how is the \$5 million allocated within the system?

Dr. TORGERSON. About 40 percent of our resources are used on research on cooperative issues, about 40 percent on technical assistance, and the balance on our statistical gathering and reporting information and educational services.

Mr. PASTOR. Okay. In your report you said that last year, out of a total 4,500 cooperatives, you had 131 cooperatives that requested technical assistance. In addition, you assisted 123 projects and responded to 62 requests for new technical assistance, which is a 10-year high. And then, you also pointed out your agency carried out projects to assist 49 established cooperatives and that eight of those projects involved merging and developing cooperatives and that, in addition, you put eight producer groups together.

The question is: Are cooperatives and the whole cooperative service really needed? I mean, those numbers really don't actually show a high level of demand for this program. You know, I am kind of not impressed by the numbers.

As universities conduct research and explore alternatives to our current system, they may be finding that cooperatives are not necessarily the wave of the future. So, it is possible we are getting to the point now that cooperatives no longer are considered the "in" thing and that other options are being explored. What does the research point to on this issue?

Dr. TORGERSON. Well, the issue I think in part is related to the nature of markets and how they change, and how the structure of industry changes over time. The questions that we received for assistance are about specific problems that cooperatives confront. They may be referred by Co-bank or one of the other cooperative banks, or by the extension service at the university which feels it cannot handle the type problem. And so we take these on a request basis.

Obviously, we are too small to provide on-line service to all 4,500 cooperatives in a technical assistance mode. No way. But those with the greatest problems are the ones that will typically approach us. They have particular needs and we may have expertise internally that can fit and match up to the problem that is to be addressed.

So consequently with the resource base that we have, we are stretched very thin and can only do as much as your resource base.

allows in this type of work. But we still, in the Federal sense, are the central source of expertise on this particular business form.

Mr. PASTOR. Well, if your efforts are so diluted, can you really be that effective?

Dr. TORGERSON. We think we are very effective in what we conduct. This technical assistance and research benefits all cooperatives and I think has a very public interest aspect especially when it comes to issues of finance, organizational issues, structural adaptation and so on.

We did a study requested by the Senate Appropriations Committee in the late 1980s entitled "Positioning Farmer Cooperatives For the Future." One of the major conclusions that were drawn from that study was that shifts in the economic organization of agriculture, and shifts in the food production system were to the detriment of farmers, i.e. the balance of power was shifting.

One of the things that we recommended was stronger coordination among existing cooperatives, and efforts to reduce competition between them so that growers could be represented stronger in the marketplace, and improve their efficiency and effectiveness.

I think some of the adjustments that the Chairman alluded to earlier have been occurring in the industry because there is quite a consolidation effort in several phases of the industry as the adjustments to the changing marketing picture are going on.

SUNKIST

Mr. PASTOR. Is Sunkist a cooperative?

Dr. TORGERSON. Yes, it is. It is one of our premiere organizations and example that we use for other commodities.

Mr. PASTOR. They are pretty big, aren't they?

Dr. TORGERSON. They are not the largest in the country, but they are fairly large.

Mr. PASTOR. They sponsored a bowl on New Years Day. Now, did that cooperative help pay for the services your agency provides?

Dr. TORGERSON. In an organization of that size—I think Sunkist probably has sales around a billion dollars—they probably could pay for services that might be requested of us.

Mr. PASTOR. Now, do you provide technical assistance for Sunkist?

Dr. TORGERSON. We have not recently, no.

Mr. PASTOR. Not recently. Is that cooperative extraordinary or unique?

Dr. TORGERSON. It has probably been one of the best examples of marketing excellence to be found in the United States on a cooperative basis. They have to go out and earn their place in the marketplace every day of the week, and they do an exceptionally fine job of it.

Mr. PASTOR. I will recommend them to you, Marcy.

Ms. KAPTUR. May I interrupt the gentleman from Arizona?

Mr. PASTOR. Sure.

Ms. KAPTUR. On that point of Sunkist, who would their main competition be in the market in a noncooperatively owned enterprise?

Dr. TORGERSON. It would probably be Dole.

Ms. KAPTUR. The Doles. It would be interesting maybe next year when you come up for testimony, or maybe we will ask the question on this, is to compare the benefits to the farmers in both enterprises. Because I will tell you, for me, and I have been on this committee for a couple of years now, but it has been a long time since I have really looked at the economics of cooperatives.

And a couple of examples, whether it be Sunkist, whether it be Land O' Lakes Butter, to look at the competitive market, and the benefit to the farmer, I assume there is quite a bit of benefit to the farmer. What would that be? Maybe we will take a couple of examples like that and ask you to submit it for the record this time.

Thank you.

Mr. PASTOR. Thank you.

Mr. DURBIN. Mr. Walsh.

PUBLICATIONS

Mr. WALSH. Thank you, Mr. Chairman. I was looking at some of the testimony and the report which accompanied your testimony, and it said that you may receive 1,000 requests a year from a cooperative. Is that correct?

Dr. TORGERSON. I think that is probably a bit high.

Mr. WALSH. Well, let's see.

Dr. TORGERSON. More in the neighborhood of 100 and 200 requests, that is for technical assistance. We get lots of requests for our publications, I think you are referring to.

Mr. WALSH. Yes, that is what it was. You said 67,000 publications. Who produces those?

Dr. TORGERSON. We produce those. Our agency does. The authorship for many of those is generated internally, based on our research, educational and informational work, and some of it is developed through cooperative research agreements with the land grant universities.

For instance, we have quite a record of publications in joint working relationships with the cooperative specialists at Cornell University. We will have a cooperative research agreement with them to work on a certain project, and one of the products of that, in addition to the students whose expertise is produced from that research experience, is a publishable report. We publish that report often, and then it receives nationwide distribution.

Mr. WALSH. The budget that is mentioned in your \$5.6 million, does that include the cost of publishing and producing this material?

Dr. TORGERSON. Yes it does. Our publication costs probably run about \$200,000 or so. That number is a little high.

COOPERATIVE RESEARCH AGREEMENTS

Mr. WALSH. The data and the research that is done to help you answer requests and provide the service of the cooperatives, including these publications, is that developed all in-house, or is it done with some of the land grant colleges and cooperatives?

Dr. TORGERSON. Yes. Some of the research, is done through cooperative research agreements. The amount available has been highly variable and is kind of the so-called cushion within our

budget for operating purposes on a year-to-year basis. For two years, I think 1990 and 1991, I don't believe we had any money for cooperative research agreements. The last couple of years we have had a modest amount. And so that is a function of how much is provided in the budget for carrying on that program linkage with the universities.

In answer to your question, we also have an annual statistical survey where we collect data on cooperatives' performance results. The annual reports and in some cases the audits of cooperatives are collected along with, data questionnaire. A report on statistics is compiled that represents database for cooperative operations for the country as a whole.

By this means, for the marketing farm supply and related service organizations, we have a very accurate measure of trends in business volume, trends in earning levels, trends in capitalization and so on that we can track the progress of this segment of American agriculture.

MARKETING AGENCY IN COMMON

Mr. WALSH. Have you ever been asked for information from an organization in New York called RCMA?

Dr. TORGERSON. Oh, yes. Very much so. We have a very close working relationship with the people. This is an example of what is known as a marketing agency-in-common for seeking to achieve overorder prices from the marketplace. And again, this is one of the types of institutions in the marketplace which I think is rather new, rather innovative, and which is being applied in several other commodities. It is used in the dairy industry and other areas of the country, where farmers are trying to get their fair share of earnings out of the marketplace through their own organizations. And RCMA is an effort in the northeast which has attempted to achieve that.

REQUESTS FOR INFORMATION

Mr. WALSH. You said that a lot of the requests for information relating to cooperatives also go to cooperative extension operations in the colleges?

Dr. TORGERSON. Yes, Sir.

Mr. WALSH. What percent would you say of the requests go to an extension as opposed to come to you?

Dr. TORGERSON. I would be a little hard-pressed to come up with a figure on that, but I think we can generate it internally. A lot of it goes to State cooperative councils. In the State of New York, it is now called the Northeast Cooperative Council and it is staffed by a university person. Brian Henahan.

Mr. WALSH. At Cornell?

Dr. TORGERSON. At Cornell. So consequently, there are probably about 8 of these statewide associations staffed by university people in the country at the present time. To the extent that they exist, they rely on a lot of the information that we produce and use it for dissemination at their various meetings that they hold in the course of a year.

Mr. WALSH. Given the fiscal constraints that we are all dealing with what would happen if this committee somehow saw fit to not fund this organization? I believe currently 72 percent of your funds go toward payroll, but obviously your staff do other things than just receive checks such as developing reports and providing data.

Would it be reasonable to suspect that this function would transfer to cooperative extension or to land grant colleges in some collaboration with cooperative extension?

Dr. TORGERSON. We just completed, as I mentioned in my testimony, a report from a national task force on cooperative education. What we are finding is a very significant down-trend in resources devoted to this area of expertise in the university system at the present time.

There are various reasons why this is occurring, some of them budgetary, some of them people specializing in other areas and so on. As a result of this, it is doubtful that we will find such as a transfer. There will be some areas or some schools which retain some specialty in this area, but that seems to be consolidating quite a bit, and so it won't be as widespread as the system that we have known in the past.

COOPERATIVES AND THE PUBLIC GOOD

Mr. WALSH. I have one last question. The idea of a cooperative is age-old. Market forces don't change substantially, they shift, but the basic rules of a free market enterprise don't change. Is there a need to have a body that just develops and does research on cooperatives? For example, obviously Sunkist has their own resources and they do their own research.

I am trying to get an idea of how valuable this service is to American agriculture, and is it a priority for this Subcommittee?

Dr. TORGERSON. Thank you. I mentioned in my testimony a word that I have used recently in some articles I have been writing and it is the public good aspect of cooperatives. And if I could, for the record, I would just like to identify a couple of those, because I think they go right to the heart of what you are asking: why it is appropriate for government to consider supporting the type of work that we are involved in in the agency, and one of the few governmental agencies involved at all in this area.

I think one of the public good aspects of cooperatives is that people learn how to exercise self-determination, and become more self-reliant. It is the old kind of self-help concept.

Second, producers, in this case, when we are looking at the farmer side of the equation, are providing themselves with access to markets through the cooperative, where in some cases they are foreclosed from having access at fair returns.

Thirdly, cooperatives, by their very nature, both in theory and practice, cause markets to operate more competitively, and therefore, market performance is actually improved. So where we have cooperatives as a dimension of market structure, the market will perform more efficiently and push closer to the competitive norm than would be the case in the absence of a cooperative in that particular market.

Fourth, by exercising self-help initiatives, cooperative members are less dependent on governmental programs. To the extent that we build a strong infrastructure within the farm community or among rural residents for self-help purposes, they rely more on cooperatives than they do on specific farm-type programs.

And finally, I think we can point to the fact as a public good that participation in governing cooperatively in businesses actually strengthens democratic processes in this country, and in the communities where they are found, and in the infrastructure of those rural communities.

It is partly leadership development in making business decisions, but it is also I think implicit in the type of organization that is involved. It is a sum total, Mr. Walsh, of those five kinds of public goods that come from the cooperative type of business that make it a worthy candidate and business form that should continue to receive some support from the public sector.

Mr. WALSH. Thank you, Mr. Chairman.

Mr. DURBIN. Thank you, Mr. Walsh. And thanks, Dr. Torgerson, and the panel. I thank you for coming by.

Mr. PASTOR. Mr. Chairman.

Mr. DURBIN. Yes, Mr. Pastor.

Mr. PASTOR. Just a question. Not to them. I thank them for being here. I sat through five panels, great testimony, but does this department hire any women or minorities in management positions?

Mr. DURBIN. Well, we are going to give an honest answer to your question, not nearly enough. It has to do, I think, a lot with the tradition in this particular field of endeavor being male oriented. But we are changing that thanks to the fine staffers sitting behind you, and Ms. Denise Riley from FDA who has come to join us, and we hope to see a lot of changes in that direction.

Mr. PASTOR. Well, thank you, Mr. Chairman.

Mr. DURBIN. Thank you. Mr. Myers.

COOPERATIVE DEVELOPMENT

Mr. MYERS. What are some reasons a newly emerging cooperative association of soybean farmers would fail? What types of jobs would a cooperative generate, as your testimony mentions?

Dr. TORGERSON. Reasons a new cooperative association of soybean farmers could fail can be classified into six general categories. I will describe these reasons for the record.

[The information follows:]

1. An Inadequate Pre-Development Study—Lack of a comprehensive economic feasibility study prior to formation is a primary reason for the eventual failure of a new cooperative. A good feasibility study and business plan will help avoid the numerous pitfalls that can befall a new cooperative organization.

2. Inadequate Owners' Capitalization—A new cooperative that has inadequate owners' capital in the association can be limited in its activities and be forced to borrow capital in amounts that exceed the cooperative's ability to service that debt.

3. Management—Poor management or management that speculates is a major cause of cooperative failures. For an emerging cooperative, good management and adequate planning are necessary for success. Included in this category is the role of the association's board of directors. Poor operating policies and poor oversight of management by the board will lead to failure.

4. Inadequate Volume—The new cooperative would need some minimum level of soybean volume marketed through the cooperative in order to succeed. Adequate volume is necessary to cover operating costs and to provide positive net income.

Reasons for low volume include lack of commitment by the association's members and short crops due to weather and/or pests.

5. Location—Sometimes cooperatives can experience problems because of their physical location. If a cooperative is located on a railroad line that is abandoned, the increase in the cost of transporting grain can cause that association to lose its competitive position in the market.

6. External Factors—Two examples of external factors are changes in Government policy and changes in the macro economy. One of the most vivid examples of the effects of changes in Government policy is the ending in 1985 of storage payments to elevators to hold Commodity Credit Corporation (CCC) grain. A number of cooperatives had become very dependent on these payments, and when they stopped, many of them failed. A rise in interest rates (a change in the macro economy) could also have a deleterious affect on a cooperative that has a large debt load.

The failure of an emerging association (as well as an established association) is most often the result of a combination of the above factors.

The types of jobs that a new cooperative could generate include managerial/professional, clerical, and laborers. The specific jobs generated would depend on the type of cooperative organized. A new grain marketing/farm supply cooperative would certainly have a manager and, depending on the size of the new association, it could have several assistant and/or departmental managers. Depending on the services provided by the cooperative, it may employ individuals trained in marketing/merchandising, agronomy, accounting, computer programming, and fieldmen.

As implied above, the number of new jobs generated depends on the size of the new cooperative. Some new cooperatives could begin with a relatively large number of employees, but it is also possible a new association (such as a bargaining association) would only employ a part-time manager. Another consideration is the potential growth of the new association. A new cooperative will often need to expand its operations in order to remain competitive. This will increase the number of jobs for the community over time. Finally, many cooperative associations employ people on a part-time and seasonal basis. Thus, there will be more employment opportunities during certain parts of the year.

COOPERATIVE SUCCESS

Mr. MYERS. Is there a certain commodity group in which you find cooperatives are typically more successful than other commodities?

Dr. TORGERSON. "Success" by cooperatives in commodity groups varies by the definition of success. Successful cooperatives might be defined as those that provide a viable outlet for a member's product or a reasonable supply of an input, regardless of the "profitability" of the cooperative. The Nation's dairy cooperatives find markets for over 80 percent of all milk produced, so they could be considered very successful. All sugarbeet producers are represented by bargaining cooperatives; thus they are successful in marketing their product. Likewise, supply cooperatives provide about 45 percent of the fertilizer and 43 percent of the petroleum used on farms. When there was a fertilizer and petroleum shortage a few years ago, cooperatives were the only reliable supplier for many producers.

Providing market access is a very important part of being a successful cooperative. Where producers are too small individually to market by themselves, cooperatives can be successfully used to gain the needed economies of size. For instance, many alternative agricultural commodities need a threshold marketing volume to make marketing viable. Cooperatives are used to combine individual members' volume in order to be viable at the marketing level as well as the production level. Cooperatives that have been able to do this, and remain financially sound year after year, could be regarded as highly successful.

Successful cooperatives might also be defined as those that provide the most income to their members. Because cooperatives can

make artificially high "profits" by paying producers "too low" a price for their product, then return that profit at the end of the year in the form of a patronage dividend, success has to be measured as a total return of price and patronage refund compared to the sector without a cooperative's presence. That is, those cooperatives that help raise the price of commodities sold, reduce costs of inputs, and/or return high net margins to members are the successful cooperatives. This is a difficult concept to accurately measure, thus the answer to which commodity group has typically more successful cooperatives using the profitability criteria is more an educated guess than definite statistical evidence. Dairy cooperatives have generally been considered to be profitable for their members. Likewise, many specialty crops, including selected segments of fruits, vegetables, and nuts, have very successfully profitable cooperative operations. Several of the farm supply and more service oriented cooperatives, such as cotton ginning, have also been very successful.

Mr. MYERS. Well, thank you.

Mr. DURBIN. Thank you Mr. Myers and we thank Dr. Torgerson for being here today.

BIOGRAPHICAL SKETCH

JOHN J. NEESEN

Mr. Neesen is Chief of the Program Analysis Branch of the Budget and Accounting Division (BAD), Animal and Plant Health Inspection Service (APHIS). Prior to this position, he was the Deputy Director of the Agency's Field Servicing Office (FSO) located in Minneapolis, Minnesota. Mr. Neesen was born in Columbus, Nebraska, on June 6, 1949. He earned a Bachelor of Science Degree in Business Administration from the University of Nebraska, Omaha, in 1972 and Masters in Business Administration from the University of Oregon in 1974.

After receiving his undergraduate degree, Mr. Neesen worked for Union Pacific Railroad Corporation in the Upland Industries subsidiary as a Realty Transaction Specialist. He began his Federal career with the US Postal Service in St. Paul, Minnesota in 1975 as a Realty Specialist. Mr. Neesen joined APHIS' FSO as a Real Property Officer in 1977 and served in various positions until joining BAD in 1989.

Mr. Neesen resides in Silver Spring, Maryland with his wife Betty.

AGRICULTURAL COOPERATIVE SERVICE

Statement of Randall E. Torgerson, Administrator, before the Subcommittee on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies.

Mr. Chairman and Members of the Committee, I appreciate the opportunity of appearing before you to present the issues and challenges facing the Agricultural Cooperative Service. First, I would like to introduce my associates, James E. Haskell, Deputy Administrator, Agricultural Cooperative Service; and John J. Neesen of the Budget and Accounting Division, Animal and Plant Health Inspection Service.

MISSION

The mission of Agricultural Cooperative Service is to promote understanding and use of the cooperative form of business as a viable option for agricultural producers and other rural residents.

We strive to help them effectively use cooperatives to improve their economic well-being and quality of life.

We serve cooperative members, directors, management, educational institutions, organizations, rural residents, and others with interests in the cooperative form of business.

Legislative authority for the Agency is found in the Cooperative Marketing Act of 1926 and the Agricultural Marketing Act of 1946. The legislation directs ACS to:

1. Carry out basic and applied research on various aspects of farmer-owned cooperatives.
2. Provide technical assistance to existing cooperatives on a variety of marketing, financial, organizational, and economic problems.
3. Provide assistance and technical support to newly emerging cooperative associations in their efforts to organize and establish sound business operations.
4. Collect and disseminate statistics on changes and trends in cooperative organizations, membership, structure, and operations.
5. Fulfill the responsibilities assigned by the Cooperative Marketing Act of 1926 "...to promote the knowledge of cooperative principles and practices and to cooperate in

promoting such knowledge with educational and marketing agencies, cooperative associations, and others."

6. Make special studies on cooperatives at home and abroad that aid in developing a knowledge base useful in the development and practice of cooperation.

ORGANIZATION

The Agency is organized into two staff areas and three divisions. Each division is divided into program areas along commodity or functional lines. Program area leaders are responsible for developing research agendas, overseeing major research and technical assistance efforts, and limited administrative duties.

The Cooperative Marketing Division (CMD) is composed of four commodity marketing program areas, Grains and Oilseeds; Dairy, Livestock, and Poultry; Fruits, Vegetables, and Specialty Crops; and International Trade. CMD provides both research and technical assistance.

The Cooperative Services Division (CSD) has a functional orientation with program areas in Finance; Legal, Policy, and Taxation; Education and Member Relations; Strategic Management and Planning; and Farm Supplies and Services. CSD is research oriented, but also provides technical assistance.

The Cooperative Development Division (CDD) is charged with providing technical assistance to emerging or developing cooperatives and producer groups desiring to form new cooperatives. CDD has two program areas: Feasibility and Development and Field Operations. The three field offices in Columbus, OH; Raleigh, NC; and Hilo, HI are the responsibility of the Field Operations Program Area. The Division's work is primarily oriented to technical assistance.

The Office of the Administrator is composed of the Administrative staff and two key staff areas. The Information Services Staff (ISS) and Statistics and Technical Services Staff (STSS) provide agency-wide technical support services.

ISS produces research and educational publications in addition to the Agency's monthly magazine, Farmer Cooperatives. STSS is responsible for the annual collection, entry, verification, and maintenance of cooperative statistical databases and provides data processing support to Agency researchers.

Not fully recognized is the rural development implications of these activities -- and in particular the establishment of cooperatives. Cooperatives generate jobs and income in their own right, and that income is generated and expended locally. Their establishment (and presence) have clear development advantages for areas where market failure problems exist, and where broad

distribution of user-benefits is critical. These conditions overlap closely, and in some ways even define the needs of areas with major developmental deficits. Through its manifold missions and practices, ACS helps improve understanding of the practical concepts of mutual self-help business activity and the operations of cooperatives, thereby improving member economic returns and self empowerment, organizational empowerment, and ultimately rural development.

SIZE, LOCATION, AND FIELD STRUCTURE

Agricultural Cooperative Service (ACS) is an independent agency of the United States Department of Agriculture, reporting to the Assistant Secretary for Marketing and Inspection Services. The Agency is headquartered in Washington, DC, and has one-person field offices located in Columbus, OH; Raleigh, NC; and Hilo, HI. The agency has a staff year ceiling of 69 and is currently staffed at that level.

HOW THE AGENCY IS DOING WITH 1993 FUNDS

Agricultural Cooperative Service is funded almost entirely through appropriations. A small amount is received from user fees on agency publications. Appropriations for fiscal year 1993 is \$5,640,000, the same amount as for fiscal year 1992. With increased pay costs (over 72% of the agency's appropriations are

utilized for payroll purposes), and a level budget, we are closely managing the controllables such as travel, printing and equipment purchases. Very few funds will be available for cooperative research agreements this year.

CURRENT ACTIVITIES

The Agricultural Cooperative Service assists producers in developing efficient and effective cooperatives to overcome the increasing disparity of marketing power with food firms with whom they deal. Significant adjustments are occurring of necessity among the cooperative businesses owned by farmers and ranchers. It is our role to conduct research and to work with these producer-owned businesses as they adapt their operations to dynamic changes occurring in the food system. Current research projects are addressing such managerial issues as finance, strategic planning, member governance, education, and cooperative taxation. Other research examines the role of cooperatives in the dairy industry, fruits and vegetables marketing and processing, grain and livestock marketing, farm supply procurement and sales as well as international trade opportunities and challenges.

ACS staff participated in 123 technical assistance projects involving 131 cooperatives and producer groups in fiscal 1992. The staff addressed 62 new technical assistance requests in 1992,

a 10 year high. Projects were carried out on behalf of 49 established cooperatives, and 80 projects involved emerging and developing cooperatives or producer groups. Eight producer groups were incorporated as new cooperatives in 1992. Requests for technical assistance continue to increase as producer groups and established cooperatives seek help in solving their diverse economic problems.

As the primary source of information on cooperatives for cooperative organizations, the educational system, and the general public, ACS maintains an inventory of nearly 150 research and education titles. In fiscal year 1992, the agency responded to over 1,000 requests for information, distributing more than 67,000 publications. Farmer Cooperatives, a major tool in the timely dissemination of information about cooperatives, is the only national magazine dedicated to agricultural cooperatives.

Materials distribution and cooperative educational requests are not limited to the U.S. For example, the agency hosted foreign visitors from 21 countries (a majority of them from Eastern Europe and the NIS) this past year, briefing them on USDA programs and policies as well as various aspects of U.S. agricultural cooperation.

PROBLEMS OR ISSUES

As farmers look through the remainder of the 1990's and beyond they see a world and a marketplace that is rapidly changing. It is a world shaped by increased global influence on U.S. markets, growth of larger, more complex business organizations, greater immediacy of environmental and nutritional concerns, and the budgetary realities forcing adjustments to traditional farm programs. It is a world of increased opportunities for farmers, but a world fraught with risk.

Accepting risks is nothing new to farmers; they are perhaps the biggest risk takers of all. But what has characterized farmers is their ability to use all the tools available to make these risks manageable. In the future, as in the past, one of the most important and significant of these tools will be the cooperative business organization. Cooperatives are one of the tools farmers use to take control of their own economic lives.

Cooperatives are private investments by farmers in their own futures. It is in support of this private sector approach that the Federal Government has historically made its investment in the promotion of knowledge and use of cooperatives. The Federal Government has attempted to ensure that all farmers and rural residents are able to avail themselves of this critical tool for

solving their own problems and meeting the future challenges of the marketplace.

The magnitude of changes inevitably call forth the use of institutional mechanisms, like state and federal marketing orders, that enable farmers and ranchers to cooperatively market their products in an orderly fashion. Such mechanisms are necessary to help share the costs of group action from which other market channel participants benefit. The development of new self-help mechanisms and rules is necessary as new forms of contracting of identity preserved products are used in both crops and livestock industries. Our role is to help identify the organizational approaches and market strategy that addresses producer needs and assures a continuation of public goods that cooperative marketing offers.

Another challenge can be viewed in the context of the rural community as a whole. It is found in the general turn down of the rural economy in the mid-1980s which left many main street businesses in small towns boarded up and community infrastructure greatly weakened. This development has given more exposure to the cooperative form of business and the possibilities it represents as a tool for rural development. The public goods opportunities for cooperatives have therefore expanded as rural residents look to themselves for locally generated solutions and rely on local resources to generate local options.

Through its programs of "helping others help themselves," the Agricultural Cooperative Service has been the point agency in the Federal Government's effort to promote and stimulate a strong cooperative infrastructure.

Over the past two decades, cooperative education activities have eroded at all levels. At ACS we are seeking ways to counter this increasingly worrisome trend. We have just completed a national education task force study that identifies measures that ACS and other cooperative educators can take to address deficiencies in cooperative education. These actions include development of audience specific educational materials, research on the performance of existing educational programs, increased education of core cooperative educators, and improvement of national level coordination and communication.

Of particular importance is the recommendation that a better job needs to be done of "educating the educators" and those at the state and local level who work closely with farmers and other rural residents. These people need to understand enough about cooperatives to recognize when a cooperative approach is needed and to get farmers started on the right track.

Economic research on issues and problems facing cooperatives has been done, over the years, by ACS and university researchers. The results of this broad and diversified research effort have

been directly applied by members in their cooperatives, thereby making the cooperative system more effective, efficient, and responsive to member needs and the demands of the marketplace. Benefits have accrued to farmers, rural residents, and consumers alike.

The tandem effort of ACS and the land grant university system(s) has been highly effective over the years. However, we are seeing cooperative-related research disappearing at many of our universities and with it the teaching and development of students possessing a strong base of knowledge in cooperatives. This emphasizes the importance of ACS's continued program of research and educational material development at the federal level, as well as collaboration on research initiatives.

Mr. Chairman, I thank you for the opportunity to present this statement. We will be glad to respond to any questions.

AGRICULTURAL COOPERATIVE SERVICE

Purpose Statement

The Agricultural Cooperative Service (ACS) is assigned functions under both the Cooperative Marketing Act of 1926 and under the Agricultural Marketing Act of 1946. Under the Cooperative Marketing Act, ACS is authorized to: (1) acquire, analyze, and disseminate economic, statistical, and historical information regarding the progress, organization, and business methods of cooperative associations in the United States and foreign countries; (2) conduct studies of economic, legal, financial, social, and other phases of cooperation, including analyses of cooperative associations; (3) make surveys and analyses of the accounts and business practices of representative cooperative associations; (4) confer and advise with committees or groups of producers who want to form a cooperative association and to make an economic analysis of the facts relevant to setting up such an association; (5) promote the knowledge of cooperative principles and practices and cooperate in promoting such knowledge to others; and (6) make special studies to acquire and disseminate such information.

Under the Agricultural Marketing Act of 1946, ACS is authorized to carry out responsibilities which relate to the marketing aspects of cooperatives, including economic research and analysis and the application of economic research findings. In addition, ACS is authorized to work with institutions and international organizations on subjects relating to cooperatives.

ACS serves as the focal point of national activity involving agricultural cooperatives. The purpose of ACS is to help farmers help themselves by providing the assistance necessary to support and improve existing cooperatives and to help farmers organize new cooperatives.

The studies conducted by ACS, alone or in conjunction with other Federal or State institutions, are intended to provide farmers with information on economic, financial, organizational, legal, and social aspects of cooperative activity. In today's rapidly changing economic environment, ACS provides technical advice to assist farmer cooperatives in the development and operation of viable profitable organizations serving the nation's family farmers.

ACS is headquartered in Washington, DC, with 3 field offices located in Hilo, Hawaii; Columbus, Ohio; and Raleigh, North Carolina. As of September 30, 1992, ACS employed 71 permanent full-time and 1 part-time personnel, 69 of whom were located in headquarters and 3 in the field offices.

AGRICULTURAL COOPERATIVE SERVICE

Available Funds and Staff-Years1992 Actual and Estimated, 1993 and 1994

Item	1992 Actual		1993 Estimated		1994 Estimated	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
Salaries and Expenses....	\$5,640,000	70	\$5,640,000	69	\$5,283,000	63
New User Fees	--	--	--	--	450,000	6
Total, Agricultural Cooperative Service.....	\$5,640,000	70	\$5,640,000	69	\$5,733,000	69

AGRICULTURAL COOPERATIVE SERVICE
Permanent Positions by Grade and Staff-Year Summary
1992 and Estimated 1993 and 1994

Grade	1992			1993			1994		
	Headquarter	Field	Total	Headquarter	Field	Total	Headquarter	Field	Total
ES-5	1	--	1	1	--	1	1	--	1
GS/GM-15	5	--	5	5	--	5	5	--	5
GS/GM-14	14	--	14	13	--	13	13	--	13
GS/GM-13	14	1	15	13	1	14	13	1	14
GS-12	10	2	12	10	2	12	10	2	12
GS-11	4	--	4	5	--	5	5	--	5
GS-09	3	--	3	4	--	4	4	--	4
GS-07	9	--	9	9	--	9	9	--	9
GS-06	2	--	2	3	--	3	3	--	3
GS-05	1	--	1	1	--	1	1	--	1
Other Graded Positions	3	--	3	1	--	1	1	--	1
Ungraded Positions	2	--	2	1	--	1	1	--	1
Total Permanent Positions	68	3	71	66	3	69	66	3	69
Unfilled Positions End-of-Year	--	--	--	--	--	--	--	--	--
Total, Permanent Employment, End-of-Year	68	3	71	66	3	69	66	3	69
Staff-Years:									
Ceiling	67	3	70	66	3	69	66	3	69

AGRICULTURAL COOPERATIVE SERVICE

CLASSIFICATION BY OBJECTS1992 and Estimated 1993 and 1994

	<u>1992</u>	<u>1993</u>	<u>1994</u>
Personnel Compensation:			
Headquarters.....	\$3,170,511	\$3,401,000	\$3,477,000
Field.....	<u>139,642</u>	<u>143,000</u>	<u>147,000</u>
11 Total personnel compensation.....	3,310,153	3,544,000	3,624,000
12 Personnel benefits.....	631,144	652,000	657,000
13 Benefits for former personnel.....	<u>549</u>	<u>5,000</u>	<u>3,000</u>
Total personnel compensation and benefits.....	<u>3,941,846</u>	<u>4,201,000</u>	<u>4,284,000</u>
Other Objects:			
21 Travel.....	230,144	200,000	199,000
22 Transportation of things	25,129	5,000	5,000
23.2 Rental payments to others.....	4,101	4,000	4,000
23.3 Communications, utilities, and miscellaneous charges.....	168,044	195,000	194,000
24 Printing and reproduction	97,579	125,000	100,000
25.2 Other services.....	798,525	705,000	739,000
26 Supplies and material...	89,191	80,000	80,000
31 Equipment.....	<u>166,069</u>	<u>125,000</u>	<u>128,000</u>
Total other objects.....	<u>1,578,782</u>	<u>1,439,000</u>	<u>1,449,000</u>
Total direct obligations.....	<u>5,520,628</u>	<u>5,640,000</u>	<u>5,733,000</u>

Position Data:

Average Salary, ES positions.....	\$108,300	\$110,919	\$111,800
Average Salary, GM/GS positions.....	\$53,915	\$55,802	\$57,755
Average Grade, GM/GS positions.....	11.61	11.61	11.61

AGRICULTURAL COOPERATIVE SERVICE

The estimates include appropriation language of this item as follows (new language underscored; deleted matter enclosed in brackets):

Salaries and Expenses:

- For necessary expenses to carry out the Cooperative Marketing Act of July 2, 1926 (7 U.S.C. 451-457), and for activities relating to the marketing aspects of cooperatives, including economic research and analysis and the application of economic research findings, as authorized by the Agricultural Marketing Act of 1946 (7 U.S.C. 1621-1627), and for activities with institutions or organizations throughout the world concerning the development and operation of agricultural cooperatives (7 U.S.C. 3291),
- 1 [\$5,640,000] \$5,283,000: Provided, That the Secretary is authorized to charge fees to cover the cost of technical assistance. Notwithstanding 31 U.S.C. 3302, revenues received from this activity shall be credited to this account, to be available for carrying out these purposes without further appropriation: Provided further, That this appropriation shall be available for employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed \$15,000 shall be available for employment under 5 U.S.C. 3109: Provided further,
 - 2 That, hereafter, [\$99,000 of these] funds made available to the Agricultural Cooperative Service shall be available for a field office in Hawaii. (7 U.S.C. 451-457, 1621-1627, 2225, 3291; Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriation Acts, 1993.)

The first change in language is to propose user fees for technical assistance to cover the costs of this activity.

The second change in the language is for the deletion of the dollar amount in the provision which sets aside funding for maintaining a field office in Hawaii. The Hilo, Hawaii office will remain a fully functional office but the level of funding should depend on the overall needs of the office. The Agency remains committed to fully staff and maintain the Hilo office in FY 1994.

SALARIES AND EXPENSES

Appropriations Act, 1993.....	\$5,640,000
Budget Estimate, 1994:	
Appropriation.....	\$5,283,000
New User Fees.....	450,000
Total, Budget Estimate, 1994.....	<u>5,733,000</u>
Increase in Estimate.....	<u>+93,000</u>

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriations and user fees)

<u>Item of Change</u>	<u>1993 Estimated</u>	<u>Pay Costs</u>	<u>Other Changes</u>	<u>1994 Estimated</u>
Research on agricultural cooperatives.....	\$3,518,000	+\$58,000	--	\$3,576,000
Technical assistance to agricultural cooperatives:				
Appropriation.....	2,122,000	+36,000	-\$451,000	1,707,000
New User Fees.....	<u>--</u>	<u>--</u>	<u>+ 450,000</u>	<u>450,000</u>
Total Available.....	<u>5,640,000</u>	<u>+94,000</u>	<u>-1,000</u>	<u>5,733,000</u>

AGRICULTURAL COOPERATIVE SERVICE

PROJECT STATEMENT
(On basis of appropriations and user fees)

PROJECT	1982 Actual		1993 Estimated		Increase or Decrease	1994 Estimated	
	Amount	Staff- Years	Amount	Staff- Years		Amount	Staff- Years
1. Research on Agricultural Cooperatives.....	\$3,443,559	37	\$3,518,000	36	(1) + \$58,000	\$3,576,000	36
2. Technical Assistance to Agricultural Cooperatives: Appropriated.....	2,077,099	33	2,122,000	33	(2) -415,000	1,707,000	27
User Fees.....	-	-	-	-	+ 450,000	450,000	6
Unobligated balance.....	119,342	-	-	-	-	-	-
Total Available.....	5,640,000	70	5,640,000	69	+ 93,000	5,733,000	69
New User Fees.....	-	-	-	-	-450,000	-450,000	-6
Total Appropriation.	\$5,640,000	70	\$5,640,000	69	- \$357,000	\$5,283,000	63

EXPLANATION OF PROGRAM

The Agricultural Cooperative Service (ACS) serves as the national focalpoint and storehouse for information about agricultural cooperatives. The major missions of the agency include research on cooperative problems and issues, providing technical assistance and advice to existing and newly emerging cooperative associations, collection and dissemination of cooperative statistics, and preparation and distribution of educational materials on cooperatives.

The Agency's research program includes studies of economic, financial, organizational, managerial, legal, social and policy related issues that affect cooperatives. Studies may be specific to a single commodity or group of commodities or may focus on specific functions which cut across commodity and service lines for cooperatives that market farm products, purchase production supplies, or perform related services.

Technical assistance is provided in response to requests, usually from cooperative boards of directors or organizational steering committees who may represent small groups or thousands of farmers. Types of technical assistance provided by ACS include feasibility analysis, merger and other organizational studies, strategic assessment and planning, and review of operations and performance of the range of cooperative activities. Feasibility analysis and organizational and educational assistance are provided for newly emerging cooperatives. ACS provides technical assistance for farmers and their cooperatives in most commodity and functional areas of cooperative operations.

JUSTIFICATION OF INCREASES AND DECREASES

- (1) A net increase of \$58,000 for research on agricultural cooperatives (\$3,518,000 available in FY 1993), consisting of:

- (a) An increase of \$24,000 which reflects a 2.7 percent increase in non-salary costs.
- (b) An increase of \$58,000 which reflects the annualization of the fiscal year 1993 pay raise.
- (c) A decrease of \$24,000 for administrative efficiency.

Need for Change. To promote the efficient use of resources for administrative purposes, in keeping with the President's Executive Order, total USDA baseline outlays for these activities will be reduced by 3 percent in FY 1994, 6 percent in FY 1995, 9 percent in FY 1996 and 14 percent in FY 1997.

Nature of Change. To achieve the savings in this line-item, the Agency will reduce travel, utilities, printing and reproduction, cooperative agreements, and supplies.

- (2) A net increase of \$35,000 for technical assistance to agricultural cooperatives (\$2,122,000 available in FY 1993), consisting of:

- (a) An increase of \$15,000 which reflects a 2.7 percent increase in non-salary costs.
- (b) An increase of \$36,000 which reflects the annualization of the fiscal year 1993 pay raise.
- (c) A decrease of \$16,000 for administrative efficiency.

Need for Change. To promote the efficient use of resources for administrative purposes, in keeping with the President's Executive Order, total USDA baseline outlays for these activities will be reduced by 3 percent in FY 1994, 6 percent in FY 1995, 9 percent in FY 1996 and 14 percent in FY 1997.

Nature of Change. To achieve the savings in this line-item, the Agency will reduce travel, utilities, printing and reproduction, cooperative agreements, and supplies.

- (d) A decrease of \$450,000 in appropriations offset by an increase of \$450,000 in user fees.

Need for Change. ACS provides technical assistance to cooperatives in most commodity and functional areas of cooperative operations. The agricultural cooperatives are the direct beneficiaries of this service. The majority of the beneficiaries are small or newly emerging cooperatives and may not have the resources to pay for services; however, some of the larger beneficiaries have the financial standing to reimburse the Agency for the services provided.

Nature of Change. This proposal would shift the funding source of technical assistance provided to cooperatives from appropriation to user fees.

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1992 ACTUAL AND ESTIMATED 1993 AND 1994

	<u>1992</u>		<u>1993</u>		<u>1994</u>	
	<u>Amount</u>	<u>Staff- Years</u>	<u>Amount</u>	<u>Staff- Years</u>	<u>Amount</u>	<u>Staff- Years</u>
Washington, DC...	\$5,310,021	67	\$5,420,000	66	\$5,506,000	66
Hawaii.....	83,507	1	87,000	1	90,000	1
North Carolina...	51,079	1	53,000	1	55,000	1
Ohio.....	76,051	1	80,000	1	82,000	1
Subtotal, available or estimate.....	5,520,658	70	5,640,000	69	5,733,000	69
Unobligated balance	119,342	--	--	--	--	--
Total, Available or estimate.....	5,640,000	70	5,640,000	69	5,733,000	69

AGRICULTURAL COOPERATIVE SERVICE

STATUS OF PROGRAM

Cooperatives allow farmers to join together to achieve goals unattainable on an individual basis. Through cooperatives, farmers jointly process and market farm products, purchase production supplies, and obtain related services.

Current Activities: The Agency is organized along commodity and functional lines into three divisions: Cooperative Marketing Division (CMD), Cooperative Services Division (CSD), and Cooperative Development Division (CDD). This structure is designed to make the most efficient and effective use of resources. Through research and technical assistance, the Agency advises cooperative boards of directors and managers on a range of economic, financial, organizational, legal, and social aspects of cooperatives. The Agency also provides technical assistance to producer groups interested in organizing new cooperatives. These activities are designed to help cooperatives provide more efficient and effective services to their farmer-members in a dynamic economic environment.

The Agency maintains an inventory of more than 100 research and educational publications. In addition, a monthly magazine, *Farmer Cooperatives*, highlights Agency research and education and serves as a tool for timely communication of significant achievements by cooperatives. The Agency also provides training to directors, managers, and members of developing cooperatives on a variety of cooperative subjects.

Educational materials are prepared by the Agricultural Cooperative Service (ACS) to promote the knowledge of cooperative principles and practices as a self-help means of increasing farm income. Materials covering a wide range of topics are distributed in cooperation with educational institutions, including National and State Extension services, the American Institute of Cooperation, State cooperative councils, National and State farm and youth organizations, State Departments of Agriculture, adult education programs, and others.

ACS is the sole source for national and state statistics on agricultural cooperatives. Data on number of cooperatives, membership, business volume, and financial condition are collected and analyzed to detect changes in structure, operations, and growth trends. The data are used extensively within the Agency in research and technical assistance, in university and business research, and in public policy and private decision making.

Selected Examples of Recent Progress:RESEARCH ACTIVITIES:

1. Cooperative Marketing of Pulses. Production of dry edible beans, peas, and lentils in the U.S. is geographically specific and concentrated. Marketing channels are constantly changing, and concentration at the rehandler and processor levels continues to increase. The results of this work provide cooperative members and decisionmakers with a basis for looking at their current operations and serves as a basis for comparison when policy decisions need to be made. Further, it provides users of dry edible beans, peas, and lentils with information for accessing supplies of pulses from cooperatives.
2. Role of Sugarbeet Bargaining Cooperatives. This report looks at the role of bargaining cooperatives in the sugarbeet industry, particularly in the types of contracts employed, their historical evolution, the relationships between bargaining associations and processors, and the impacts of changing industry structure.

3. Cooperative Education -- Needs and Issues. This study examines the present and future need for cooperative education at all levels of the cooperative education system in a three phase process. ACS and the National Council of Farmer Cooperatives are jointly supporting this nationwide study involving over 1,000 cooperative educators and leaders. Phase One of the project included designing five separate surveys mailed to over 1,200 participants. Phase Two brought together over 80 educators and cooperative leaders in 4 focus panels responding to a series of predetermined questions and topics. The panels were held in Minneapolis, San Francisco, Kansas City, Atlanta, and Denver. The final phase of the project includes a major report and a series of supporting documents. The study will provide major recommendations for improving and re-prioritizing cooperative education efforts throughout the country. The study and interaction of the participants has helped energize cooperative education leaders throughout the country, bringing new attention to this critical, yet often overlooked component of the cooperative system.
4. Cooperative Involvement and Opportunities in the Seed Industry. This research examined the rapidly changing seed industry and explores the positioning of cooperatives to best take advantage of the changes. The report describes the structure and trends at all levels of the seed industry from basic research, production, and marketing of seeds. Particular emphasis was placed on the impact of emerging biotechnology developments on the relationships between institutions and organizations within the seed industry and their implications for farmer cooperatives.
5. Bargaining Associations in Grower-Processor Markets for Fruits and Vegetables. This report presents the findings of a national survey of active fruit and vegetable bargaining associations. The study provides a current and indepth description of cooperative bargaining in grower-processor markets for fruits and vegetables. More than 85 percent of all active fruit and vegetable bargaining associations located in the United States participated in the study.
6. Cooperative Exporters and Foreign Technical Standards. This research provides guidance to co-op exporters confronted by foreign technical standards that are adversely affecting their foreign markets. This report identifies the roles and jurisdictions of U.S. Federal and State governments with respect to foreign technical trade barriers for agricultural products. It also examines organizational options, such as ETC's and trade associations, through which cooperatives could coordinate their work in challenging or minimizing the impact of such standards. Finally, cooperative strategies for dealing with foreign technical standards are explored.
7. Cooperative Marketing Agreements: Legal Aspects. This report explains the nature and purposes of cooperative marketing agreements and provides practical guidance in drafting effective agreements. It focuses on basic legal parameters that must be met, the different types of contracts, defining the terms of sale, modifying the contract, and the enforcement options and remedies if an agreement is broken. It also examines the emerging issues affecting marketing agreements, such as food safety and environmental concerns.

TECHNICAL ASSISTANCE:

In 1992, Agency staff participated in 123 formal technical assistance projects involving 1,231 cooperatives and producer groups in 38 States.

Established Cooperatives:

In 1992, 43 projects involving a variety of issues and commodities were carried out on behalf of 49 established cooperatives. Summaries of several of these projects are listed below.

1. An Operational Analysis of Thornwell Warehouse Association. ACS provided an overall operational analysis of this local farm supply cooperative located in Louisiana. The study focused on developing strategies for lowering operating expenses (e.g., personnel, rice handling, and inventory control costs), increasing supply sales and rice volume, and enhancing member communication and loyalty.
2. Kalamazoo Valley Plant Growers Cooperative (KBPGC). ACS provided assistance and presented information to KBPGC, a Michigan cooperative, on proposed revisions of their membership and marketing agreements. The agreements were ultimately amended. Information was also provided on a grower survey and the issue of greatly broadening the cooperatives' membership, particularly in the bargaining unit.
3. Dairy Plant Operations in the Pacific Northwest. This study reviewed plant efficiency in five fluid milk plants and evaluated the feasibility of consolidating Class II operations in one plant with new equipment.
4. Grain Cooperative Merger Feasibility. This project was in response to a request by two California grain cooperatives for assistance on a possible merger of the two organizations. Before proceeding with a merger, the board of directors desired input from the membership; and ACS conducted a survey to determine the desire for grain marketing services. Based on study results, ACS recommended that a merger not take place.
5. Analysis of Kalamazoo Creamery Operations. ACS reviewed the role of the this Michigan creamery in the context of the cooperative's overall marketing strategy. Included were various scenarios regarding the disposition of the manufacturing subsidiary.
6. A Membership Survey for Mid-America Dairymen, Inc. This project included an intensive survey of approximately 9,000 members to ascertain thoughts and attitudes toward their cooperative--its management, pricing practices, services, etc. The cooperative will utilize the report to improve operations and services.

Emerging and Developing Cooperatives:

In 1992, 80 projects were conducted involving emerging and developing cooperatives and producer groups representing more than 2,500 members. Eight of these groups were incorporated as new cooperatives in 1992. Summaries of a number of these projects are listed below.

1. Central Kentucky Hog Marketing Association (CKHMA). With the help of ACS, CKHMA was incorporated in 1992. The cooperative coordinates the assembly of hogs into full truckload lots for transport to packers. There are 30 producers marketing through the cooperative with a total volume of about 22,000 hogs per year bringing in revenues greater than \$2 million. Net returns have increased by \$2.50 per hundredweight since the group began operating. ACS has worked with successful hog transportation cooperatives in the past and CKHMA was modeled after them. ACS assistance included: explaining the legal and economic reasons for forming a cooperative; producer survey and preparation of a business plan considering the impact of two volume scenarios; development of job descriptions and policies; and plans for a strategic planning seminar. ACS will continue working with the cooperative during its early period of operations.

2. Coastal Carolina Small Farmers Cooperative. A development organization, the North Carolina Coalition of Farm and Rural Families, Inc., has been working with a group of minority producers in Duplin County to enhance production and marketing of fresh vegetables. Our ACS North Carolina field office is working intensely with both the sponsor and producers to develop a properly functioning cooperative. ACS efforts included orientation to the cooperative's role in marketing, the board's role in taking responsibility and setting policy, writing bylaws and electing a board of directors, and preparation of financial statements. ACS will be providing financial projections for operation of a packing facility to identify an appropriate marketing fee and capital retention plan. ACS staff have worked closely with the sponsor's marketing staff to enhance their effectiveness and reduce their patriarchal role.
3. Timber Management and Marketing Project. Infrequent harvest and turn over in land ownership have made forestry cooperatives difficult to organize and operate. ACS is working closely with interested members of the Pennsylvania Farmers Union to identify woodland owners interested in a cooperative and the best combination of services this type of cooperative could provide its members. Currently ACS envisions the cooperative could offer long-term woodland service agreements of 10 years or more, development of a management plan and various services to implement the plan. The Pennsylvania Forest Stewardship Program would be utilized to help the owner pay for certain improvements on a cost sharing basis. A market for quality saw logs is already well established in the region. However, a firewood market provides the only means to move a large volume of low grade timber removed in the management improvement program. ACS is studying the proposed cooperative that would operate a mobile scragg mill and grinder to convert the low grade timber into pallet stock and chips for fuel. ACS is working with a woodland owner steering committee and regional resource personnel to determine feasibility, operating fees and procedures.
4. Molokai Livestock Cooperative. Livestock producers on the Hawaiian Island of Molokai began restocking in 1988 following a 2-year program to eradicate bovine tuberculosis. Livestock slaughter ended with the eradication program, and had not resumed. Some producers felt a small slaughter facility should be reopened to primarily replace home slaughter but also access potential island markets. The situation was exacerbated by reduced cattle feeding on Oahu and the closing of another slaughter plant. The ACS Hilo field office worked closely with the board in consultation with several Hawaiian resource agencies and institutions to give guidance and evaluate potential for economic cattle feeding and slaughter operations. An ACS survey of producers and local meat buyers was conducted to identify volume and willingness to commit cattle and equity. ACS found that expected volume was so low that it would require very high slaughter fees which would discourage use of the facility. Consequently, ACS recommended a slaughter and marketing cooperative would not be feasible.
5. New England Venison Cooperative. Production of farm-raised deer in New England has been legal since 1989. Early producers are just beginning to show commercial-size yields. ACS development staff are studying the feasibility of a cooperative to market venison. The study investigates costs of production, industry trends, and competitive pressures. Regional executive chefs and meat purveyors specializing in table cloth restaurants were surveyed. Meetings were arranged between the steering committee and purveyors. ACS assisted the steering committee in developing a strategy to research production standards, slaughter requirements, break even costs, promotional materials, and member relation issues.

6. Hawaii Tropical Fruit Cooperative. Many of the less well known tropical fruits have been produced on home sites for many years in Hawaii. As land previously planted to sugar cane became available, significant planting of at least eight tropical fruits has occurred over the past 4 years. Facing competition among themselves in an undeveloped and unknown market, and without packing facilities, some major producers felt the need to consider joint action. ACS assisted by surveying all known tropical fruit producers to identify the planted fruit cultivars, anticipated volume, and producers interest in working together. ACS staff also provided sample bylaws, affirmed objectives and plans, and made suggestions for implementing cooperative marketing activities. The prospective members are currently evaluating their options.

THURSDAY, MARCH 18, 1993.

ANIMAL AND PLANT HEALTH INSPECTION SERVICE

WITNESSES

KENNETH C. CLAYTON, ACTING ASSISTANT SECRETARY, MARKETING AND INSPECTION SERVICES

LONNIE J. KING, ACTING ADMINISTRATOR, ANIMAL AND PLANT HEALTH INSPECTION SERVICE

TERRY L. MEDLEY, ACTING ASSOCIATE ADMINISTRATOR

BILLY G. JOHNSON, DEPUTY ADMINISTRATOR, VETERINARY SERVICES

BOBBY R. ACORD, DEPUTY ADMINISTRATOR, ANIMAL DAMAGE CONTROL

MORLEY H. COOK, ASSOCIATE DEPUTY ADMINISTRATOR, REGULATORY ENFORCEMENT AND ANIMAL CARE

B. GLEN LEE, DEPUTY ADMINISTRATOR, PLANT PROTECTION AND QUARANTINE

ALEX B. THIERMANN, DEPUTY ADMINISTRATOR, INTERNATIONAL SERVICES

KEVIN SHEA, ACTING DIRECTOR, BUDGET AND ACCOUNTING DIVISION

STEPHEN B. DEWHURST, BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

OPENING REMARKS

Mr. DURBIN. Good morning.

We are glad to welcome the Animal and Plant Health Inspection Service this morning. I have a long list of people here and I don't know how many at the table are going to be testifying, but Ken Clayton, the Acting Assistant Secretary; Lonnie King, Acting Administrator; Terry Medley, Acting Associate Administrator; and then we have listed, of course, Stephen Dewhurst.

Mr. SKEEN. He is for real. He is not acting.

Mr. DURBIN. He is for real. And we have Billy Johnson, Bobby Acord, Morley Cook, Glen Lee, Alex Thiermann, and Kevin Shea.

We are happy to have you, and your testimony will be made part of the record. If you would like to summarize or highlight at this point, and then we will be glad to ask a few questions and take it from there. Please proceed.

Mr. CLAYTON. Mr. Chairman, if I might, I will open for us.

I am Kenneth Clayton, Acting Assistant Secretary for Marketing and Inspection Services. My permanent role back at the department is as Deputy Administrator for Marketing Programs within the Agricultural Marketing Service. So we will get that squared away at the outset, if I could.

As you indicate, I am accompanied this morning by Lonnie King, who is the Acting Administrator of the Animal and Plant Health Inspection Service and, of course, by Steve Dewhurst, who is the Director of our Office of Budget and Program Analysis.

We do have staff with us and it would be our hope and expectation that in addition to our prepared remarks, we will be able to respond to all of your questions. With your permission, I will turn the microphone over to Mr. King, who will speak on behalf of APHIS.

Mr. DURBIN. Dr. King.

ACTING ADMINISTRATOR'S REMARKS

Dr. KING. Thank you.

Mr. Chairman and members of the committee, I appreciate the opportunity to report on our continuing efforts to protect American agriculture, its ability to affordably and safely feed Americans and others, and its contribution as part of the largest industry in our economy. I would like to report briefly on our agency's mission, accomplishments, and challenges that we face.

However, I do note that the fiscal year 1994 budget remains under development, so I am unable to address it specifically.

Our mission is to protect American agriculture by ensuring the health and care of animals and plants, thus improving agricultural productivity and competitiveness.

This helps to keep our food safer, better, and cheaper. It helps to keep our agricultural industry more efficient, economically sound, thereby contributing to our national economy and the public health.

We accomplish this mission by dealing with agricultural pests and diseases. We work to exclude them, to detect and monitor them, to manage or eliminate them when they are endemic. We regulate veterinary biologics, plants, and other organisms developed through biotechnology; facilitate agriculture exports; protect the welfare of animals and endangered species, ensuring that our activities safeguard the environment; and collect, analyze, and disseminate information on the health status of plants and animals.

We are an agency of many scientific disciplines with veterinarians, inspectors, plant pathologists, entomologists, wildlife biologists, biotechnologists, and other scientists and experts located not only in the United States but also in some foreign countries as well.

APHIS is proud of its past accomplishments. We have eradicated many threats to American agriculture, including the eradication of screwworm, Avian influenza, hog cholera, exotic Newcastle disease, and on multiple occasions, Mediterranean fruit fly. But we see our challenges always changing, and I would like to discuss some of those today.

For example, we are moving into the 1990's toward an increasingly global economy for agriculture. We have to be more vigilant than ever if we are able to prevent the introduction of pests and diseases that are harmful to our country's agriculture. We have to maintain the favorable health status of our national food and plant populations and commodities, because that is the key to our international competitiveness in agriculture and enables us to export almost a third of our entire agricultural production.

We must manage our inspection programs to keep pace with the increased traffic of people and goods.

In fiscal year 1992, 45 million passengers arrived at U.S. ports, which was an increase of almost five million from the previous year. Passenger arrivals are projected to steadily increase through the end of this century. We constantly explore ways to improve our inspection process. In fiscal year 1992, we added 9 new detector dog teams called the Beagle Brigade to give us up to 33 teams to complement 74 X-ray machines we now have at major airports and land border stations.

Current and impending international trade agreements will lead to increased trade and agricultural goods that will mirror the increase in international passengers. Under the proposed North American Free Trade Agreement, the United States, Canada, and Mexico have agreed to administer sanitary and phytosanitary standards in a forthright and expeditious manner to further ensure that any trade would be safe for American agriculture.

We also recognize the need to facilitate U.S. agricultural exports worldwide through bilateral discussions with many countries, some of which include Canada, Mexico, Japan, Australia, Chile, New Zealand, Korea, and Taiwan. We are learning to cooperate and compete at the same time for a mutual benefit to U.S. agriculture and foreign agriculture.

We also realize that we must do business in a more environmentally conscious way.

We have initiated a "Circle of Environment Protection" concept to help the Agency comply with all environmental laws and regulations and do so in a proactive fashion. We have increasingly advocated the use of biological control alternatives to chemicals for controlling plant pests. For example, we have concentrated on the development of biological control methods, including the use of exotic parasitic wasps, fungal pathogens, and certain natural compounds to control sweet potato whitefly.

We are making our long-standing programs even more sound environmentally, and we are completing environmental impact statements on three major program areas. A comprehensive review on our medfly eradication program and suppression program is nearly completed after 2 years of intensive effort. We are also very close to completing a comprehensive environmental review on our animal damage control program.

We have also begun the process of preparing an EIS for animal health programs, which will not only examine current program activities with the potential for affecting the environment but will also establish procedures for dealing with future site-specific needs for services, many of which are of an emergency nature and would require immediate attention.

We must adjust the agency's focus from strictly eradication of selected diseases toward monitoring of animal health for economic significance and food safety. The emphasis here is on health rather than disease and on prevention rather than reaction.

The collection and analysis of data on the health status of our national herds and flocks is essential for creating competitive advantage for our exports in the global marketplace; rapidly detecting emerging or exotic plant and animal disease pests; improving the safety of foods of animal origin; and, adding value to animals

and their products and plants and the commodities in terms of consumer wishes and marketing strategies.

In the past, the APHIS budget structure reflected the Agency's focus on eradicating certain diseases. APHIS now plans to ensure, and wishes to adjust its budget to reflect its capability for consistent disease surveillance and detection, emergency disease preparedness and response, animal health monitoring, and epidemiologic delivery without the direct ties to traditional animal disease eradication programs.

The emphasis is on overall animal health rather than disease, thus helping directly and indirectly to ensure food safety both by helping make animals healthier in production, and also providing vital traceback capabilities. However, as we make this transition to focus more on animal health, I commit to you that we will remain as dedicated as ever to completing successfully our brucellosis, tuberculosis, and pseudorabies programs. These cooperative Federal-State-industry efforts have achieved great success and we fully intend, and will, finish these jobs.

Our work to control *Salmonella enteritidis*, a poultry disease with serious public health concerns, is an example of how APHIS has a key role in food safety. *Salmonella enteritidis* has been found in a number of commercial egg-laying chicken flocks and it has infected some commercial table eggs, causing human illness.

Our current *Salmonella enteritidis* traceback program and diversion of eggs to pasteurization plants is helping to reduce the spread of *Salmonella enteritidis* as well as reducing human illnesses caused by egg-related cases.

In addition, we are now conducting a large pilot *Salmonella enteritidis* project in Pennsylvania that involves 65 large flocks and four and a half million hens. The poultry and eggs are being monitored to determine the critical production factors needed to eliminate salmonella from infected flocks and to prevent the spread to other poultry operations.

We must continue to establish cooperative partnerships rather than just rely on Federally-mandated and funded programs.

Our challenge is to make close cooperation among producers, industry groups, and government the norm. The latest example is the national scrapie voluntary flock certification program that took effect in October of last year. This program resulted from a negotiated rulemaking, cooperative efforts between producers, private practitioners, allied industry representatives, State and animal health officials, and APHIS.

The pseudorabies eradication program is based on strong local industry support and leadership. The program allows hog producers to select the best option for them to eliminate the disease that does not mandate slaughter and indemnification practices. The program also uses the latest biotechnological advances in vaccines and diagnostics in support of this effort as well as using private practitioners to help in the program delivery.

The boll weevil program serves as another example of a highly successful cooperative eradication program that has yielded enormous economic benefits to producers. Producers have paid 70 percent of program costs and have lead the way in controlling this once devastating pest of cotton.

We must facilitate the safeguards in biotechnology for agriculture. In today's world of rapid evolving technologies and continual scientific breakthroughs, we must keep pace with the growing awareness of the economic and social implications of biotechnology.

In October 1992, the agency granted a petition to Calgene, Inc., to remove from the regulatory restrictions the company's genetically modified tomato termed the FLAVR SAVR. This was the first release of a transgenic agricultural product from special permitting constraints.

In November 1992, we proposed to add an alternative to our existing permit requirements regulating the movement and release of certain genetically modified plants. Our proposal provides for a notification process as an alternative means of oversight for the movement and release of specified crop plants.

Biotechnology offers the potential to revolutionize global agriculture, add value to our exports, ensure a safer, more environmentally sensitive product, and provide some hope, for feeding the 10 billion people expected on the face of the Earth by the year 2025, which is double what we have today.

We must work cooperatively with other countries for mutual benefits.

APHIS works with international organizations, other Federal agencies, States and universities in conducting a number of biocontrol projects. An example is our work on the Asian gypsy moth, a primary pest in Russia and east Asia. APHIS and the U.S. Forest Service worked closely with the State agencies in Washington and Oregon to eradicate infestations in fiscal year 1992. In addition, APHIS worked with Canadian and Commonwealth of Independent States officials to assess the situation in Russia and evaluate the risk of further introductions into Canada and this country. Along with the Forest Service, we are continuing to work with our Russian counterparts to conduct critical entomological research and population monitoring at their ports surrounding the areas in Russia. The results of this work will help us develop procedures for reducing and eliminating the risk of exotic pest movement on cargo, containers, and carriers.

The screwworm program is another example of a successful biocontrol and international cooperation. The screwworm eradication began as an experimental project in Florida during the mid-1950s. That program was so successful using sterile flies that by 1966 the United States was declared free of screwworm. APHIS continues to successfully prevent reintroductions of screwworm into the United States, and is working now to eradicate a recent infestation in Mexico. In addition, we are working on eradication programs in Guatemala, Belize, El Salvador, Honduras, and Nicaragua. We are on target to push the screwworm to Panama before the end of this century.

Finally, we must fulfill our roles in the stewardship of animals. As an agency with many veterinarians and wildlife biologists, we have a special understanding of animals, as well as a legal mandate.

Last year we conducted 18,595 inspections across the country to ensure the proper care of animals under the Animal Welfare Act.

In carrying out our animal damage control responsibilities, we strive to alleviate damage caused by wildlife to agriculture and natural resources through an integrated pest management approach. Nonlethal methods of control are used wherever practical. At least 50 percent of the animal damage control research budget is devoted to hasten the development and the implementation of nonlethal alternative methods.

In conclusion, Mr. Chairman, since its inception, and we are in our second hundred years of animal and plant health, APHIS has played a crucial role in protecting American agriculture. Yet this mission connotes a broader perspective in today's fast changing and complex world. Protecting the American agriculture now means protecting the economic viability of a food and fiber system in a competitive global marketplace. In this role, APHIS will continue to meet the many challenges related to animal and plant pests and disease conditions whether including traditional, exotic, and emerging. We will promote and facilitate optimal production systems and new trade opportunities.

Finally, we will deliver efficient and effective programs and activities in concert with a stronger partnership with U.S. agriculture and with the respect and consideration for food safety, public health, environmental quality, and the humane treatment of animals.

We appreciate this committee's strong support of our programs in the past. We look forward to meeting the challenge of protecting and strengthening American agriculture in the future. We will be happy to answer any questions, and thank you for this opportunity, Mr. Chairman.

Mr. DURBIN. Thank you very much.

[CLERK'S NOTE.—Biographies for APHIS appear on pages 410 through 414. Dr. King's prepared statement appears on pages 415 through 435. The budget explanatory notes were received by the Committee on April 28, 1993 and appear on pages 436 through 540.]

CALGENE PETITION

Mr. DURBIN. We are planning to have a separate hearing on the whole question of genetic engineering and of course you will be invited, but could you describe for the record again what the responsibilities of your agency was relative to the petition for Calgene and any future similar efforts?

Dr. KING. Yes, I will call on Mr. Medley, who directs our biotech area, to respond.

Mr. MEDLEY. Thank you, Mr. Chairman.

Under authorities of our Plant Quarantine and Plant Pest Acts, we established in 1987 a system of regulations to control the introduction, the importation, interstate movement, or environmental release of certain genetically-engineered organisms. More clearly, this includes those organisms that were developed using components from known plant pests or pathogens.

Over the last 5 years, we have issued permits to Calgene to field test the FLAVR SAVR tomato. Based upon those 4 years of tests, 8 field tests in at least 2 different States, we received a

petition from Calgene providing data on which we were asked to determine that they should no longer be subjected to regulation.

We published our notice of intent for that determination, received public comment, and then issued a decision in October 1992 stating that, based upon our review of that data and the field tests, the FLAVR SAVR tomato was as safe to grow as any other tomato variety.

Mr. DURBIN. What do you mean by "safe to grow"?

Mr. MEDLEY. We are looking at these to see whether or not the engineering, using components from known plant pathogens, would present any risk to agriculture or the environment. Based upon their tests, Calgene was able to verify and certify that any of the pathogenic properties had been deleted from the engineered tomatoes.

USER FEES

Mr. DURBIN. Good. Thank you.

Let me ask a few other questions, if I might. Talk to me for a minute about this APHIS user fee and how it is applied to different modes of transportation. I might say, I asked a question last year relative to the fees that are imposed upon airline passengers as well as each flight in comparison to other industries. What activities, if any, are supported by the revenues that are raised from those various sources and are airline passengers being treated differently than any other passengers coming into the United States that are subject to your jurisdiction?

Dr. KING. APHIS' agricultural quarantine inspection activities are supported by user fees. Congress placed spending restrictions on that program through the appropriation process. Right now, we do have user fee collections on a per-head basis for international passengers. We also have fees for commercial ships and for commercial planes. We have set limits on the fees that we collect for those.

Mr. DURBIN. Am I mistaken that on a passenger flight you collect not only per passenger but also per flight?

Dr. KING. I am going to ask Keven Shea, our acting Budget Director to clarify that for you.

Mr. SHEA. We collect \$1.45 per passenger and also a \$61 fee for inspecting the aircraft itself.

Mr. DURBIN. I understand that fee has been reduced over the last year.

Mr. SHEA. Yes, both fees were reduced on January 1, 1993.

Mr. DURBIN. Let's use some comparable mode of transportation that might involve passengers and cargo. What about ships coming to the United States, cruise ships or whatever they happen to be, do you charge per passenger and also per cruise ship or is that parallel lost when you get beyond airplanes?

Mr. SHEA. We collect only for the vessel inspection, not for each passenger on a ship.

Mr. DURBIN. Why the distinction?

Mr. SHEA. Mr. Glen Lee, our Deputy Administrator for Plant Protection and Quarantine, can better address your question.

Mr. LEE. Mr. Chairman, the reason there is a differentiation in the cost for passengers on the aircraft, as opposed to the cost for the vessel, is that generally the contents of the passengers on the vessel come from reasonably the same location and that the likelihood of the risk associated with the inspection of each of those passengers is quite different than the risk associated with the inspection of passengers on an aircraft that come from many different locations and are going to many different locations.

The total cost of the inspection, which includes the cost of the risk passengers, is included in the total fee for the vessel.

Mr. DURBIN. It is a little hard to understand how you can assume that all the passengers on an oceangoing vessel came from the same place. They could have started at any number of places, for that matter.

Mr. LEE. That is very true, but in the amount of time they are on the vessel, any article they would have brought on board for eating, for example, would have already been consumed when they return. For most of those vessels, we concentrate on the stores, that is, the material that is brought into the vessel for the feeding of the passengers.

Mr. SKEEN. Would the Chairman yield?

Mr. DURBIN. Be happy to.

Mr. SKEEN. Give us an idea of the difference of the fees for a vessel, for instance, as opposed to an aircraft. Is there a huge differential?

Mr. LEE. Yes, there is.

Mr. SHEA. The fee for commercial aircraft is \$61 and for a commercial vessel \$369.50.

Mr. DURBIN. And the passenger fee for each person on the aircraft is \$1.45 per passenger?

Mr. SHEA. Yes, \$1.45.

Mr. SKEEN. So what is the average on an aircraft?

Mr. DURBIN. What would you be dealing with? It could average 100, maybe 200, even higher I suppose for some of the larger aircraft.

Mr. SHEA. Yes, that is correct.

Mr. SKEEN. Thank you.

Mr. DURBIN. Certainly, the problem here is obvious, the people in the airline industry feel they have been singled out and treated differently, and I don't know if this is true or not. For example, buses coming into the United States from Mexico, is each passenger subject to a fee?

Mr. SHEA. No, they are not.

Mr. DURBIN. Is each bus subject to a fee?

Mr. SHEA. Commercial trucks are subject to a fee.

Mr. DURBIN. How about buses?

Mr. SHEA. A bus is not subject to a fee.

Mr. DURBIN. Standards here are getting a little hard to figure out, but we will take a closer look at that. But you have reduced the fees during the last year?

Mr. SHEA. Yes, we have.

Mr. DURBIN. Can you tell me by mode of transportation whether or not there is a comparable amount collected from the rail service, trucks, aircraft and the like?

Mr. SHEA. The bulk of the money is collected from the air passengers or aircraft.

AGRICULTURAL QUARANTINE INSPECTION PROGRAM

Mr. DURBIN. For the record, please provide us a table listing all collections for fiscal year 1992, broken out by transportation mode. Supply a comparison with your original estimates for collections for fiscal year 1992.

Dr. KING. I will submit the requested table for the record.
[The information follows:]

Fiscal year 1992 revenue collection

<i>Category</i>	<i>Amount</i>
Actual AQI user fee:	
International airline passengers	\$55,010,927
Commercial aircraft ¹	11,075,845
Commercial vessels	25,382,055
Commercial trucks (Mexican border)	1,726,816
Loaded Railcars (Mexican border)	325,588
Total	93,521,231
Estimated revenue collections:	
International airline passengers	49,720,000
Commercial aircraft ¹	12,123,000
Commercial vessels	19,656,000
Commercial trucks (Mexican border)	1,759,000
Loaded railcars (Mexican border)	371,000
Total	83,629,000

¹ Commercial aircraft revenue for the period from February 9, 1992, to September 30, 1992.

Mr. DURBIN. Do you anticipate any changes in the charges during fiscal year 1993?

Dr. KING. APHIS published an interim rule on December 31, 1992, reducing fees for international airline passengers (from \$2.00 to \$1.45), commercial aircraft inspection (from \$76.75 to \$61.00), and commercial vessels (from \$544.00 to \$369.50) to be effective on January 1, 1993. The public was given a 30-day comment period which ended on February 1, 1993. APHIS received seven comments on the interim rule and is presently publishing a final rule. Later in 1993, APHIS plans to publish a proposed rule that will raise the commercial truck and loaded railroad car user fees.

PRE-CLEARANCE PROGRAMS FOR PEST AND DISEASE EXCLUSION

Mr. DURBIN. For the record, would you please provide a list of the countries and the specific activities in which you have pre-clearance programs for Pest and Disease Exclusion Activities.

Dr. KING. APHIS conducts three distinctly different preclearance programs: commodity, passenger, and military preclearance programs.

A list of preclearance activities follows:

Commodity Preclearance Programs: Argentina—apples, asparagus, strawberries; Brazil—honeydew melons and mangoes; Chile—91 fruit and vegetable types are eligible; grapes, apples, and pears are representative; Columbia—mangoes; exports will begin in May 1993; Ecuador—honeydew melons and mangoes; Peru—mangoes; Venezuela—mangoes; Costa Rica—papaya and mangoes; export of both commodities will begin the summer of 1993; Dominican Republic—38 fruit and vegetable types are eligible; pineapple and melons are representative; Haiti—mangoes; Honduras—or-

anges and grapefruit; exports to begin the summer of 1993; Jamaica—31 commodities are eligible; ugli fruit and cut flowers are representative; Mexico—citrus, mangoes, apples, and peaches; Nicaragua—mangoes; exports to begin the summer of 1993; France—apples; exports have not materialized the past 3 years due to unfavorable economic conditions; Netherlands—flower bulbs; included in this preclearance program are flower bulbs from: Belgium, England, Scotland, Israel, Ireland, and Turkey; Spain—clementines, lemons, and oranges; South Africa—apples and pears; grapes will be added soon; Australia—apples and pears; New Zealand—apples and pears; Japan—sand pears and unshu oranges; Korea—sand pears; and Taiwan—mangoes; exports will begin the summer of 1993.

Passenger Preclearance—APHIS conducts passenger and aircraft preclearance in Bermuda, and the Bahamas at the airports at Freeport, Nassau, and Paradise Island. In addition, a two year pilot program is in the planning stages for Aruba. These programs are in cooperation with the U.S. Customs Service and the U.S. Immigration and Naturalization Service.

Military Preclearance—In cooperation with the U.S. Customs Service and the Department of Defense, APHIS conducts military preclearance operations in all the major military commands. APHIS has one full-time agricultural advisor to the military. This advisor is located with the European command at Mannheim, Germany. APHIS officers are sent as advisors to a number of military exercises each year. These special exercises take place in numerous countries, such as Germany, Belgium, Netherlands, Turkey, Egypt, Jordan, Korea, Thailand, Saudi Arabia, Kuwait, and Somalia.

EMERGENCY AUTHORITY

Mr. DURBIN. Okay. We will take a closer look at the AQI.

One of the questions which we had related to the transfers within APHIS in any given year. It seems each year, as there is a new outbreak of pest or plant infestation around the country, USDA is called on to use its emergency transfer authority to help resolve the problem. Last year, fruit fly outbreaks in California and the Asian gypsy moth made the news.

Can you tell us how many times you used the transfer authority during 1992, and if you have so far in 1993 and for what purpose?

Dr. KING. Let me look those up for you. As you know, it is very difficult to project when an emergency might take place. So we have triggered the use of Commodity Credit Corporation funds at times when those emergencies threaten the well-being of either the plant or animal health.

Do you have the figures Mr. Shea?

Mr. SHEA. Yes, Mr. Chairman, for 1993, approximately \$25.9 million has been transferred for fruit fly eradication. In 1992, \$9.5 million was transferred for fruit fly, and \$11.3 million for Asian gypsy moth.

Mr. DURBIN. And they were transferred from what accounts?

Mr. SHEA. The Commodity Credit Corporation account.

Mr. DURBIN. Of the funds transferred, how much has been expended so far in 1993?

Dr. KING. Approximately \$9.4 million in emergency fruit fly CCC funding has been obligated as of March 1, 1993.

USER FEES

Mr. DURBIN. Do you anticipate APHIS proposing any new user fees other than those already authorized?

Dr. KING. We are trying to get caught up in user fees for diagnostic services, and also for clarification of import-export activities.

Mr. DURBIN. When you say "caught up," can you tell me what you mean by that?

Dr. KING. We already have the authority for those and we are having some difficulty getting those fees set, getting them out for public comment, and trying to be fair and equitable in doing that. So being caught up means that although our 1993 budget already reflects collection of user fees for those activities, that regulation is not yet in place. So hopefully before the year is over, we will get caught up in that area.

Mr. DURBIN. How much do you anticipate collecting in those user fees in 1993?

Dr. KING. It is in the range of \$2 million to \$3 million in the diagnostic and import inspection areas.

Mr. DURBIN. I take it because the regulations are not ready you will not be able to collect any this year; is that correct?

Dr. KING. It depends how fast we can get these out. We are moving as fast as we can.

Mr. DURBIN. How long have you had the authority to collect these fees?

Dr. KING. I am not quite sure. The original user fee authority came out from the farm bill.

Mr. DURBIN. Since 1991?

Mr. SHEA. We received the authority in the 1990 Farm Bill.

Mr. DURBIN. 1990. So we are now in the third year and you don't have the regulations to collect \$2 million or \$3 million a year. Why?

Dr. KING. Well, it is now reflected in our budget that we need to do so. We are moving ahead to get that done although we are late getting it done.

Mr. DURBIN. What happens if you don't get them collected?

Dr. KING. We will. We are already looking to see how we might be able to use funds internally within the organization to be able to cover those. We hope that we may be able to get some of these regulations on the books to go ahead and start collecting. There is a possibility that we might have to come back and look at a redirection, but right now we have not gotten that far.

I would like to provide some more specific information for the record.

[The information follows:]

APHIS is not proposing any new user fees that have already not been authorized. APHIS has republished rules for user fees for import/export laboratory testing services, reference assistance to State laboratories, and certain test reagents. Funds generated from user fees will be used to recover the costs of doing the testing and producing the reagents. Charges will be assessed to States, industry, universities, and other Federal agencies requesting services from National Veterinary Services Laboratories. These fees were authorized in P.L. 101-624 and 101-508. Revenue from user fees will depend on when the regulations go into effect. The proposed regulations were published in the Federal Register on March 22, 1993, and should be in place before the end of fiscal year. Revenue for FY 1994 is estimated at \$1.7 million.

For non-Federally funded programs, there will be a charge for the following services: laboratory tests to qualify animals or birds for import or export; diagnostic tests on blood and tissue samples referred to APHIS by State animal health officials who want assistance in establishing or confirming a diagnosis (reference assistance); and for non-program diagnostic reagents. Diagnostic reagents are substances used in diagnostic testing specific for the disease agent or its antibody.

As new tests and procedures are developed that fall under this authorization (P.L. 101-624 and 101-508), new user fees would be promulgated through the regulatory process.

In addition, we are proposing regulations for import user fees which would recover the costs of providing inspection services at ports-of-entry for all animals and animal products presented for importation into the United States. We anticipate that these fees will be in place early in FY 1994. The projected revenue for these import user fees is approximately \$3 million annually. These fees would be charged to the animal and animal product import industry, which is highly unpredictable and sensitive to related economic conditions. Therefore, the revenue from these user fees could fluctuate significantly.

CATTLE TICKS

Mr. DURBIN. I was surprised to learn that your efforts to eradicate cattle fever ticks in Puerto Rico is paid for with food stamp money.

Dr. KING. It is partly paid for by transfer of funds from the Food and Nutrition Service.

Mr. DURBIN. Why?

Mr. DEWHURST. Mr. Chairman, when the Congress enacted the law a few years ago that authorized a block grant to Puerto Rico for nutrition programs, they also authorized some special projects that the Puerto Ricans might choose to improve their agriculture. One of the projects they chose to pursue is a cattle tick eradication program, and so the program has been funded out of that block grant with technical support provided by APHIS. But it is because of the way the block grant was set up originally.

Mr. DURBIN. So it was a nutrition block grant to Puerto Rico?

Mr. DEWHURST. Yes, sir. We don't run a food stamp program in Puerto Rico. We give them a block grant under that law.

Mr. DURBIN. We are allowing them to use this money for pest eradication.

Mr. DEWHURST. About \$10 million a year, yes, sir.

TUBERCULOSIS IN CATTLE IMPORTS

Mr. DURBIN. Let me also ask you about this whole question about tuberculosis in cattle imports from Mexico. The National Academy of Science is supposed to issue a report that focuses on the increase in bovine tuberculosis in our country attributable to increased cattle imported from Mexico.

How involved is APHIS in this report?

Dr. KING. We are underwriting that report. We went to the National Academy of Science and asked them if they would be interested in doing an overview of our entire TB program. We wanted a scientifically sound objective look, and they are doing just that.

The final report, by the way, may be due at the end of this month, and so we have worked collectively with them and are awaiting their final report.

Mr. DURBIN. What percentage of the tuberculosis tracebacks are coming out of Mexico?

Dr. KING. Well, over the last couple of years, a high percentage. Our surveillance and monitoring for tuberculosis does take place at the packing plants, so we may have 30 or 35 million animals that are checked there by FSIS. Last year we had 613 actual cases, or carcasses, that had tuberculosis microbacterium bovinus. Of those traceable, a little over 80 percent were traced back to Mexican origin. So the bulk of our tracebacks in TB these last few years have been of Mexican origin.

Mr. DURBIN. How soon will we be seeing a copy of that NAS report?

Dr. KING. I checked with them and they are on the second draft, and so it may be forthcoming soon. However, we are doing many things in the area of tuberculosis and not just waiting for their report.

SALMONELLA ENTERITIDIS

Mr. DURBIN. Last year, we discussed at some length problems related to *Salmonella enteritidis*. How many new occurrences of *Salmonella enteritidis* did you find in 1992 and so far in 1993? How many of the trace-backs have followed it back to being egg associated?

Dr. KING. During 1992, 56 human outbreaks were reported, which is lower than in previous years. However, eggs were implicated in 23 of these outbreaks, compared to 13 out of 67 from the same period in 1991. As of March 22, 1993, eight human outbreaks have been reported during 1993. Eggs were implicated in one of these outbreaks and investigations are continuing on the other seven. We are continuing to monitor human outbreaks and conduct tracebacks to flocks of origin.

Mr. DURBIN. Describe for us in some detail the actions APHIS has taken this past year to control *Salmonella enteritidis*? What specific research are you doing? Provide a list of all research at universities and describe each research project.

Dr. KING. In April 1992, APHIS began a large *Salmonella enteritidis*—SE—pilot project in Pennsylvania to determine the best methods of preventing and controlling SE in egg-layer flocks. In this project, we are working with producers and the Pennsylvania Department of Agriculture to monitor some 4 million egg layers in 60 hen houses on 37 premises. The pertinent findings of the project will be used to promote voluntary certification programs in areas where SE is a problem for egg-layer flocks. Our main objectives are to test flocks for SE to ensure that eggs containing SE will not go to market, and to determine the factors involved in eliminating SE from affected flocks and preventing its entrance into flocks not affected.

Also, our Salmonella Task Force has been conducting national surveys to determine SE prevalence in spent hens sent to slaughter, and in prepasteurized liquid egg material from "breaker" plants. It has also carried out studies to determine the feasibility of culturing eggs as a means of detecting SE.

In addition, we are recommending the use of voluntary programs in high incidence areas to find out as much as possible about which SE control methods are effective before these programs are used in other areas. We feel that it is in the producers' best interest to participate in this type of program and this is borne out by the success of the Pennsylvania Pilot Project. These types of programs help producers control and reduce SE in their flocks and prevent outbreak situations. After one year of operation, the flocks participating in the Pennsylvania Pilot Project have not been involved in any human SE outbreaks.

We do not conduct research activities, but rely on the Agricultural Research Service to accomplish any needed research. As part of our SE program, we are working with ARS on a considerable number of research projects at different institutions. The main areas of SE investigation are designed to find out more about pathogenesis, surveillance, serology, transmission, methods of cleaning and disinfection for SE, vaccine use, culture techniques, and the significance of phage typing.

We are participating in ARS research projects at four different universities. At the University of Pennsylvania's Laboratory of Avian Medicine and Pathology, we are involved in research on an antibody-based detection system for SE. In this research, two antibodies that react with SE are being used in the development of a rapid enzyme-linked immunoassay—ELISA screen and agglutination assay for the specific detection of SE. At Purdue University, we are involved in research on SE infection in egg-laying flocks. This research will result in the establishment of appropriate egg testing guidelines for use in monitoring egg production facilities. At the University of Pennsylvania's Veterinary Medicine School, we are involved in extensive evaluation of a chicken flock that was implicated as the source of an SE outbreak in Kansas. The purpose of this evaluation is to document SE transmission within a flock and to hatchlings. At the University of Massachusetts, research projects are underway to develop improved and practical procedures to permit rapid serological SE identification.

Mr DURBIN. What is the relationship of the salmonella program to the National Poultry Improvement Plan?

Dr. KING. The U.S. Sanitation Monitored program of the National Poultry Improvement Plan is intended to be the basis from which the breeding-hatching industry may conduct a program for the prevention and control of Salmonellosis. It is intended to reduce the incidence of Salmonella organisms in hatching eggs and chicks through a sanitation and testing program at the breeder farm and in the hatchery. This will provide other segments of the poultry industry with an opportunity to reduce Salmonella incidence in their products by obtaining hatching eggs and chicks from flocks classified as Sanitation Monitored.

Mr. DURBIN. Last year, we talked about a Los Alamos scientist who supposedly had found a quick way to detect salmonella in eggs by using sound waves. You said that you were going to look at that project and see if it would be of use to APHIS. What have you found out?

Dr. KING. When the Los Alamos Laboratory first released their press report on this project, our SE task force contacted the scientists involved to obtain as much information as possible. The basic scientific report was thoroughly analyzed by our Task Force and by Dr. Beard and his staff at the ARS SE Poultry Laboratory in Athens, Georgia. We communicated several serious concerns to the report's publishers about the way the study was conducted and about the results.

We were then contacted by a commercial firm that specializes in the application of sound technology. They were interested in the practical application of the proposal. We offered to initiate a special project to test the proposal at our SE Pilot Project in Pennsyl-

vania, where several egg cultures were in operation. The firm's representatives and the scientists involved were invited to and attended the next scientific review meeting of the Pilot Project, which was held in October 1992. Through considerable discussion, all parties gained a clearer understanding of the difficulties involved in using sound waves to detect SE in eggs. We offered to conduct an appropriate study on this subject, but the firm's representatives and the scientists from Los Alamos evidently decided not to pursue the matter any further and have not contacted us since then.

PSEUDORABIES ERADICATION EFFORT

Mr. DURBIN. It is my understanding that there is a pseudorabies eradication effort going on in all 50 States. For the record, please provide us a list showing the amounts expended on this program in each of the states and the amount of any cost-share provided by each state. Break that table down to show the stage that each state is in.

Dr. KING. I will provide the requested information for the record. [The information follows:]

FY 1992 PSEUDORABIES EXPENDITURES

State	Federal dollars	Non-Federal dollars	Stage
Alabama.....	\$22,234	\$50,000	III
Alaska.....	826	7,200	V
Arizona.....	5,742	2,000	IV
Arkansas.....	41,557	19,724	IV
California.....	34,827	719,224	II
Colorado.....	122,936	45,000	III
Connecticut.....	635	12,375	IV
Delaware.....	2,644	7,500	I
Florida.....	116,728	0	I
Georgia.....	72,978	638,464	III
Hawaii.....	1,029	96,940	IV
Idaho.....	964	0	II
Illinois.....	281,789	1,418,706	II
Indiana.....	242,106	695,000	II/III
Iowa.....	2,393,426	755,782	I
Kansas.....	79,779	24,836	II
Kentucky.....	55,719	91,024	II
Louisiana.....	5,092	0	II
Maine.....	1,930	27,000	V
Maryland.....	900,983	144,317	I
Massachusetts.....	5,513	35,375	II
Michigan.....	131,779	268,055	II/III
Minnesota.....	735,544	488,400	II/III
Mississippi.....	17,555	0	IV
Missouri.....	151,488	90,396	II
Montana.....	7,120	9,816	III
Nebraska.....	300,645	635,697	II
Nevada.....	4,175	27,786	III
New Hampshire.....	616	2,658	IV
New Jersey.....	11,368	16,298	I
New Mexico.....	5,152	0	IV
New York.....	223,983	2,500	IV
North Carolina.....	319,509	2,197,441	II/III
North Dakota.....	29,456	4,529	III
Ohio.....	319,671	919,612	III
Oklahoma.....	56,989	244,938	III

FY 1992 PSEUDORABIES EXPENDITURES—Continued

State	Federal dollars	Non-Federal dollars	Stage
Oregon.....	4,066	0	III
Pennsylvania.....	71,527	811,425	II
Rhode Island.....	1,428	0	I
South Carolina.....	40,661	190,000	III
South Dakota.....	131,858	153,312	II
Tennessee.....	82,837	274,985	III
Texas.....	172,777	341,470	III
Utah.....	5,550	8,000	V
Vermont.....	605	0	I
Virginia.....	60,870	194,216	III
Washington.....	1,464	15,000	II
West Virginia.....	3,975	10,000	III
Wisconsin.....	115,300	525,655	III
Wyoming.....	148	3,500	IV
Washington, DC.....	125,008	0	—
Puerto Rico.....	19,671	0	I
Virgin Islands.....	0	0	I

Mr. DURBIN. What is the annual cost to producers from pseudorabies problems?

Dr. KING. The most recent economic analysis, done at Iowa State University in 1987, suggests pseudorabies costs pork producers approximately \$30 million annually. Of this amount, \$17 million represents vaccination costs, \$11 million is attributable to pig deaths, and \$2 million is spent for testing. The costs of vaccination and testing are continually rising due to inflation. We have contracted for a comprehensive cost/benefit study in fiscal year 1993 from Ohio State University's veterinary medical school. This study should be complete by November 1993; we would be happy to provide a copy to the committee at that time.

Mr. DURBIN. The pseudorabies eradication program was originally a planned ten-year effort. Obviously, because of fiscal constraints, funds have not been available to reach that goal. What is the current timeframe for eradication?

Dr. KING. If funding and operating procedures remain the same throughout the life of the program, it is estimated that it would take approximately 20 years to eradicate the disease, which is 10 years beyond the current goal of eradicating the disease by the year 2000. However, this timeframe could be adjusted if producers assume a greater share of the program, or new technology is made available.

IMPORT-EXPORT INSPECTION PROGRAM

Mr. DURBIN. For the record, please provide a table showing the expenses of the Import-Export Inspection Program, broken out by activity, for fiscal years 1992 and 1993.

Dr. KING. I will provide the requested information for the record. [The information follows:]

Import/export activity	FY 1992 actual	FY 1993 estimated
Health certification—export.....	\$1,538,070	\$1,718,000
Animal import centers.....	2,384,523	2,668,000
Commercial birds.....	401,054	405,000
Pet birds.....	292,758	215,791
Inspection, certification, and development of protocols and regulations ¹	10,930,836	8,000,000
Total program expenses.....	15,547,241	13,006,791

¹ These activities are funded by regular annual appropriations. A specific breakout of expenditures for these activities is not available at this time.

FOREIGN AFFAIRS ADMINISTRATIVE SUPPORT SERVICES

Mr. DURBIN. For the record, provide a five-year table showing the APHIS expenses related to the Foreign Affairs Administrative Support Services Program administered by the Department of State.

Dr. KING. The requested information is provided for the record. [The information follows:]

Fiscal year	Amount
1989.....	\$452,000
1990.....	814,370
1991.....	675,179
1992.....	801,921
1993 Est.	1,114,490

Mr. DURBIN. Last year, you stated that APHIS received an estimated increase for the FAAS costs over 36 percent from the actual fiscal year 1991 level. What is the projection for fiscal year 1993?

Dr. KING. FY 1993 estimated billings from the Department of State indicate an increase of approximately 39 percent over the actual FY 1992 level.

ELECTRONIC BAGGAGE EQUIPMENT

Mr. DURBIN. For the record, please provide a table showing all the airports in which APHIS uses electronic baggage inspection equipment, the passenger volume, and the amount of equipment located at each of those airports.

Dr. KING. I'll be glad to submit that for the record.

[The information follows:]

ELECTRONIC BAGGAGE INSPECTION EQUIPMENT

Location	Number of passengers	Equipment units
Atlanta, GA.....	844,796	1
Boston, MA.....	990,486	1
Chicago, IL.....	1,724,935	2
Dallas, TX.....	1,284,350	2
Dulles, Wash., DC.....	750,433	1
Elizabeth, NJ ¹	1,249,403	2
Honolulu, HI.....	5,093,144	21
Houston, TX.....	1,178,583	2
Jamaica, NY (JFK).....	8,149,003	4
Maui, HI.....	500,000	5
Kailua Kona, HI.....	250,000	2
Kauai, HI.....	250,000	2
Los Angeles, CA.....	5,017,682	4
Miami, FL.....	5,452,302	3
Orlando, FL.....	656,317	1

ELECTRONIC BAGGAGE INSPECTION EQUIPMENT—Continued

Location	Number of passengers	Equipment units
San Francisco, CA	1,988,255	2
San Jose, CA	72,000	1
San Juan, PR	3,345,701	14
San Ysidro, CA ¹	13,000,000	2
Seattle-Tacoma, WA	526,012	1
Total	52,323,402	73

¹ In Elizabeth, NJ, one machine is at the post office and the two machines in San Ysidro, CA are at the Mexican border.

Mr. DURBIN. If APHIS had additional funds specified for electronic baggage inspection equipment, at which airports would you consider to be the highest priority for additional equipment?

Dr. KING. One additional x-ray machine each could be used at the Seattle-Tacoma, Atlanta, Miami, Boston, and San Ysidro airports. However, rather than purchase more equipment, the program would benefit from improved x-ray detection systems to more efficiently and effectively detect images of agricultural products. Most of the Agency's existing equipment needs replacement with more advanced x-ray technology. In addition, funds to train users of this new equipment would then become necessary. Technology for training can be easily adapted to the existing x-ray units or included with the purchase of new x-ray units.

DETECTOR DOG

Mr. DURBIN. For the record, please provide a table showing the numbers of detector dog teams used by APHIS and at which locations.

Dr. KING. The information will be supplied for the record.
[The information follows:]

DETECTOR DOG TEAMS

Location	Number of teams
Atlanta, GA	1
Orlando, FL	1
San Juan, PR	1
Newark, NJ	1
Oakland, CA	1
Detroit, MI	1
Philadelphia, PA	1
Houston, TX	1
Miami, FL	3
Los Angeles, CA	2
San Francisco, CA	6
JFK, NY	5
Boston, MA	1
Chicago, IL	1
Seattle, WA	1
Honolulu, HI	4
Total	32

Mr. DURBIN. How much is spent annually on detector dog team activities?

Dr. KING. For support of detector dog teams in the AQI program, APHIS spent \$2,555,150 in FY 1992. The Agency will spend \$2,985,200 in FY 1993.

OPERATING COST FOR ANIMAL IMPORT CENTERS

Mr. DURBIN. For the record, please update the five-year table that appears on page 225 of last year's hearing volume, which shows the number of days occupied and the operating cost for each of the Animal Import Centers. How much was received in user fees for each facility?

Dr. KING. I'll be glad to supply that for the record.
[The information follows:]

NUMBER OF DAYS OCCUPIED 1988-1992

Animal Import Center	1988	1989	1990	1991	1992
Newburg.....	366	365	365	365	366
Miami.....	366	365	365	365	366
Hawaii.....	366	365	365	365	366
Harry S Truman.....	120	180	30	90	180
Total.....	1,218	1,275	1,125	1,185	1,278

The annual operating costs and the collections over the last 5 years for each AIC is shown in the following table:

ANIMAL IMPORT CENTER OPERATING COSTS AND REVENUE 1988-1992

[Dollars in thousands]

Facility	1988		1989		1990		1991		1992	
	Operating cost	Revenue	Operating cost	Revenue	Operating cost	Revenue	Operating cost	Revenue	Operating cost	Revenue
Newburg.....	\$655	\$1,107	\$1,053	\$1,089	\$968	\$709	\$847	\$839	\$1,409	\$1,673
Miami.....	289	558	412	467	315	266	298	217	816	326
Hawaii.....	93	108	88	158	204	72	135	141	160	53
Los Angeles.....	584	173	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Harry S Truman.....	854	211	1,482	1,011	228	0	874	929	1,073	753
Total.....	2,475	2,157	3,035	2,725	1,715	1,047	2,154	2,126	3,458	2,805

Mr. DURBIN. We see from the table provided that the Harry S. Truman Facility appears to be used, on average, less than one-half of the time. Please tell us why this facility is used so little.

Dr. KING. During the last 5 years, the years in which the Harry S. Truman Facility was used the least were 1990 and 1991. The facility was used so little in these years because of delays caused by the tier system of accepting animals into the facility. To lessen the time lag in getting responses from perspective importers, we are currently working to amend these regulations and streamline the process. Specifically, we are proposing to require cash with an import application instead of a letter of credit, and to charge prospective importers from the time a cooperative agreement is sent to them. This last measure should provide importers with sufficient

incentive to decide as quickly as possible whether or not they wish to proceed with the importation. We hope that these changes will quicken the application process and result in more use of the Harry S. Truman Facility.

In 1990, the regulation did not take effect until March 26, 1990. At that point, we began receiving applications for the 1990 lottery, which was held on April 30, 1990. On June 27, 1990, we sent a cooperative agreement to the first applicant on a prioritized lottery list. The cooperator signed the agreement on August 2, 1990. In September of that year, the quarantine facility in which his cattle were housed was approved. From that point, until November 8, we began to qualify the animals. However, the shipment was terminated on December 30, 1990, because the cattle had contracted bovine respiratory syncytial virus.

In 1990, we experienced delays again. On January 14, 1991, an importer signed a cooperative agreement to import 416 llamas and alpacas from Bolivia. These animals were put into quarantine in Bolivia on March 13, 1991, under supervision of APHIS veterinarians. However, it was not until July 17, 1991, that the animals were transferred to the Harry S. Truman Facility. Even though these animals remained there until October 28, 1991, we began sending letters to other applicants in August 1991. The first applicant decided not to import. On September 20, 1991, we sent a letter to the second eligible applicant, who did not sign the cooperative agreement until December 16, 1991.

Mr. DURBIN. For the record, please provide us a list of the types of animals that were processed through each of the import facilities during fiscal year 1992.

Dr. KING. I will provide a list of the types of animals for the record.

[The information follows:]

Hawaii Animal Import Center accommodates imports of horses, sheep, goats, birds, and juvenile camelids.

Miami Animal Import Center accommodates birds, ruminants, swine, horses, and camelids.

New York Animal Import Center accommodates birds, ruminants, swine, horses, camelids, and zoo animals.

Harry S. Truman Animal Import Center accommodates ruminants, swine, camelids, and birds only from those countries affected with exotic animals diseases.

NAFTA AGREEMENT

Mr. DURBIN. Last year, you stated that Mexico had added certain test requirements and ectoparasitic certification for U.S. hogs, sheep, and cattle, and that negotiations with Mexico were continuing in order to prevent imposition of import restrictions without advance notice to USDA. In light of the great interest in the NAFTA agreement, would you tell us how your negotiations related to export protocols with Mexico is going?

Dr. KING. These negotiations are progressing very well. In FY 1992, APHIS established and provided the main spokesperson for the U.S.-Mexico Animal Health Working Group. This group meets at least twice a year as part of an agreement to provide advance notice to any proposed changes to export protocols. Last year, the group discussed the porcine reproductive and respiratory syndrome, which led to certification statements enabling continued

marketing of U.S. swine to Mexico. We have found that this group provides an excellent forum to address any concerns and thereby minimize any potential crises.

MEDFLY ERADICATION PROJECT

Mr. DURBIN. APHIS was cooperating with the Agricultural Research Service in a Mediterranean fruit fly eradication project in Kauai, Hawaii. Since the occurrence of tropical hurricane Iniki, can you tell us what the status of the Medfly eradication project is?

Dr. KING. The hurricane damaged ARS facilities in Kauai and temporarily disrupted activities. However, ARS is continuing to develop and demonstrate eradication technologies in Kauai. APHIS provides sterile Medflies, equipment, and technical assistance.

Mr. DURBIN. What was the total cost by APHIS for this program during fiscal years 1992 and 1993? What are your plans for fiscal year 1994?

Dr. KING. In FY 1992, APHIS spent approximately \$800,000 to support the Kauai project. This includes \$200,000 for an interagency agreement, and 1.7 billion sterile Medflies. APHIS is currently providing 60 million sterile flies per week. The estimated costs to APHIS in FY 1993, will be approximately \$1.3 million. APHIS plans to continue to support the ARS project at the same level in FY 1994.

MEXICAN FRUIT FLY REARING CAPABILITY

Mr. DURBIN. Last year, you indicated to us that there was a need to expand the Mexican fruit fly rearing capability in Mission, Texas, to meet current and potential program needs. Congress provided additional funds for the Mexican fruit fly program to begin setting up a fruit fly free barrier along the Mexican border. What is the status of that project? What is the Mexican government doing in support of this effort?

Dr. KING. APHIS expanded activities to detect and eradicate outbreaks of Mexican fruit fly—MFF—in northwestern Baja California Norte, Mexico. Until July 1992, APHIS released 3 million sterile flies per week, year-round, in the Tijuana area. APHIS increased sterile releases in the Tijuana area after July 1992, to 12 million per week from July to December, and 6 million per week the remainder of the year. Eradicating these outbreaks around Tijuana prevents movement of MFF into California, and complements Mexican plans of eradicating MFF from all of Mexico. Production of sterile insects for use in Mexico, was increased accordingly in Mission, Texas. APHIS now releases sterile flies in the Tijuana area on both sides of the U.S.-Mexico border. Sterile flies are also released in the lower Rio Grande Valley area of Texas.

Mexico spent \$9.5 million in 1992, and allocated \$10.6 million in 1993, to start their national plan to eradicate MFF and three related species from all of Mexico within 12 years. A facility to produce 350 million sterile MFF per week will be operational by the summer of 1993.

Eradication efforts will begin first in northern Mexico. Within 4 years, eradication is scheduled to be complete in all Mexican States bordering the United States.

Mr. DURBIN. What resources were expended in fiscal year 1992 and what do you anticipate spending in fiscal year 1993 on that project?

Dr. KING. APHIS did not contribute any money in direct support of the Mexican national plan in 1992 or 1993. APHIS conducts surveillance and eradication activities on the Mexican side of the border to support MFF activities in the United States. If the Mexican national plan successfully eradicate MFF in these areas, APHIS activities could shift from controlling outbreaks along the U.S.-Mexico border to increased monitoring of expanding fly free areas and control activities by the Secretariat of Agriculture and Water Resources of Mexico. APHIS now releases sterile MFF in the Tijuana area and the lower Rio Grande Valley area of Texas and adjacent areas of Mexico, to eradicate MFF outbreaks in these areas along the U.S.—Mexican border.

APHIS spent \$1,164,000 in FY 1992 to carry out MFF activities on both sides of the U.S.-Mexico border. APHIS anticipates spending approximately \$1.7 million toward this effort in FY 1993.

Mr. DURBIN. What is the status of the plans to expand the rearing facility?

Dr. KING. Production at the MFF rearing facility in Mission, Texas, was temporarily doubled in FY 1992 to support the Mexican fruit fly outbreak operations in California. APHIS's need for permanent expansion is currently being reconsidered due to Mexican efforts, including construction of rearing facilities, to establish free zones along the border.

SCREWORM REARING FACILITY

Mr. DURBIN. Last year, Mr. Melland discussed at some length the problems with the Screwworm Rearing Facility in Mexico. We provided additional funds to get on with planning for replacing that facility in fiscal year 1993. What is the status of the replacement of the Screwworm Rearing Facility?

Dr. KING. A master plan for the facility has been completed. No funds for the design or construction have been identified. The proposal is feasible if a funding source can be identified. APHIS is investigating alternate sources of funding for facility construction, including international organizations and beneficiary countries.

Mr. DURBIN. What funds have been expended for fiscal year 1993 on the screwworm program and how much of that goes toward the rearing facility operation?

Dr. KING. A total of \$34,645,000 was appropriated to the screwworm program for FY 1993. From October 1, 1992, through February 28, 1993, \$11,651,783 was obligated by the screwworm program. Of the 5-month obligation total, \$4,930,000 went toward the rearing facility operation.

Mr. DURBIN. The plans were to move southward towards the Isthmus of Panama. How is that progressing?

Dr. KING. Self sustaining populations of screwworms have been eradicated in the United States, Mexico, Guatemala, and Belize. Active eradication activities are in progress in El Salvador, Honduras, and Nicaragua. The program is progressing toward establishing a permanent sustainable barrier in Panama by FY 1977. Over-

all operations are at least 1 year behind schedule due to the screwworm outbreak in Mexico.

Mr. DURBIN. With our troops now involved in famine relief efforts in Somalia, does this pose any additional risk for pest detection problems in the United States?

Dr. KING. APHIS recognized from the outset that the famine relief effort in Somalia would present a possible risk to U.S. agriculture by returning troops and equipment given the myriad of exotic animal and plant pests and diseases present in that area of the world. Working in cooperation with the Department of Defense, a military preclearance program began on January 20, 1993, with the departure of the first contingent of troops back to the United States. APHIS has had an agricultural advisor in Mogadishu since that time. Military customs inspectors inspect all departing troops and their baggage for prohibited and/or restricted items that could carry pests or diseases. In addition, all rolling stock (vehicles) and any other cargo stored outside is cleaned using water under high pressure or air blowers to remove the fine sand. APHIS believes that these precautionary measures will ensure that any risk is mitigated to the smallest factor possible.

Mr. DURBIN. Last year, there were several new outbreaks of screwworm in Mexico. What is the status of containment and eradication of the screwworm again in Mexico? Is there any indication this outbreak was deliberate?

Dr. KING. The last positive larval sample was collected on September 30, 1992. If no further cases are found, outbreak operations in Mexico will terminate on March 31, 1993. To deal with the outbreak, the screwworm eradication program had to redirect \$3 million from the Central American effort. The outbreaks occurred because infested cattle were imported into Mexico from Central America. The possibility for further outbreaks is significant unless Mexico improves its inspection and quarantine activities for livestock coming from Central America or if screwworm is eradicated from Central America. There is no evidence indicating that the last outbreaks were deliberate.

Mr. DURBIN. If we were able to eradicate the screwworm down to the Isthmus of Panama, what would the anticipated annual operating savings be?

Dr. KING. We are currently in the process of developing a cost/benefit comparison between operating the rearing facility in Mexico, and the proposed facility in Panama. An estimate of annual operating savings will not be available until the cost/benefit comparison has been completed.

Without a new facility, the annual cost after 1997 to produce sterile flies in Mexico, and then ship and disperse those flies in Panama for the Darien Gap barrier, would remain at approximately the current level, but an additional \$2 million would be needed annually in Mexico for engineering support to maintain the rearing facility.

PESTS INTRODUCED INTO THE UNITED STATES

Mr. DURBIN. Last year, Dr. Melland gave us several examples of the cost to American agriculture if certain pests were accidentally

introduced into the United States. Could you again, this year, provide us several examples of potential introduction of pests and what those pests would cause in terms of economic losses to American agriculture?

Dr. KING. A recently completed economic impact study indicates that nationwide losses due to the establishment of the Mediterranean fruit fly would be \$1.5 billion annually. Economic impact of the establishment of Mexican fruit fly is estimated at approximately \$1 billion annually.

If Asian gypsy moth became established in the western United States, economic losses to larch could exceed an estimated \$1 billion over 40 years.

The Forest Service reports that the estimate of potential losses and increased production costs over the next 30 years due to the effects of the pine shoot beetle is \$742 million.

FTE/NATIONAL ANIMAL HEALTH MONITORING SYSTEM

Mr. DURBIN. For the record, please provide a five-year table, including fiscal year 1993, showing the annual cost and the FTEs assigned for each year to the National Animal Health Monitoring System Program.

Dr. KING. I will provide the requested table for the record.
[The information follows:]

Fiscal year	Annual cost	FTE
1988.....	\$1,615,402	27
1989.....	2,041,925	28
1990.....	2,907,069	34
1991.....	4,632,917	45
1992.....	4,633,127	53
1993 (estimate).....	6,542,232	55

Mr. DURBIN. How many states are currently participating in the NAHMS Program? Do you anticipate any new states signing up during fiscal year 1993 or fiscal year 1994?

Dr. KING. A total of 37 States participate in the National Animal Health Monitoring System—NAHMS—program. The 37 states include over 70 percent of the Nation's swine, dairy, and beef cattle populations. Those States are Alabama, Arkansas, California, Colorado, Connecticut, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Nebraska, New Hampshire, New Mexico, New York, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, Tennessee, Texas, Vermont, Virginia, Washington, and Wyoming.

Additional States will be joining the NAHMS effort in future years to achieve similar coverage of the cattle on feed and sheep industries, and two primary segments of the poultry industry. NAHMS projects its coverage to include 39 States in FY 1994, with the addition of Arizona and South Dakota.

The Veterinary Diagnostic Laboratory Reporting System—VDLRS—now includes 20 diagnostic laboratories from 17 States. (Arkansas, California, Florida, Georgia, Iowa, Kentucky, Minneso-

ta, Missouri, Nebraska, New York, North Dakota, Ohio, South Dakota, Oregon, Texas, Virginia, and Wyoming), representing all regions of the country as well as the National Veterinary Services Laboratory. The system facilitates early detection of disease trends by compiling and reviewing individual diagnoses reached by the participating laboratories. Technological breakthroughs and current disease surveillance issues are also shared to improve overall diagnostic acumen in the United States.

The FY 1993, five additional laboratories are expected to join the VDLRS from States that are already participating. Four additional State diagnostic laboratories, two from States already participating, one from Louisiana and one from Puerto Rico, have expressed strong interest and plan to begin submitting quarterly diagnostic data to the VDLRS in FY 1994. This will bring disease trend surveillance to at least 21 States and Puerto Rico from 29 participating laboratories.

Mr. DURBIN. Do states cost-share with the NAHMS Program?

Dr. KING. Yes, States cost-share with and assist the NAHMS Program in various ways. State veterinarian and animal health technicians actively collect data on-farm in many NAHMS participating States to supplement APHIS's veterinary field force. At the onset of the current NAHMS Cow/Calf Health Productivity Audit, State personnel formally assisted in training APHIS veterinarians in States that were new to the NAHMS Program.

Under cooperative agreements associated with NAHMS national surveys of major livestock and poultry commodities, States provide skilled personnel and resources to support their contributions to State or regional project findings.

State diagnostic laboratories contribute personnel, equipment, and data to the Veterinary Diagnostic Laboratory Reporting System, under which NAHMS compiles, analyzes, and disseminates diagnostic data from all regions of the United States to identify animal disease trends.

Mr. DURBIN. Please provide a listing of all the projects that are part of the National Animal Health Monitoring System data base.

Dr. KING. In FY 1993, NAHMS projects included National Cow/Calf Health and Productivity Audit; National Dairy Heifer Evaluation Project; National Swine Survey; Bovine Tuberculosis Risk Assessment and related projects; Bovine Spongiform Encephalopathy Risk Assessment and Followup Study; Veterinary Diagnostic Laboratory Reporting System to compile and analyze quarterly diagnostic lab data from 20 States representing all regions of the country; and Eastern Equine Encephalomyelitis predictive modeling in the Southeast United States.

In addition, NAHMS maintains an energy response capability to meet information needs generated by new and emerging animal and public health issues such as the recent outbreak of E. Coli in Washington State.

The NAHMS program is currently designing projects to collect and compile information on national feedlot cattle and a first major segment of the poultry industry, layers and table eggs. These projects will commence in FY 1994.

Mr. DURBIN. Last year, Mr. Melland said that as part of the NAHMS dairy/heifer evaluation project, information was being col-

lected on cryptosporidia, salmonella, and E. Coli. Exactly how is this information used?

Dr. KING. These three diseases threaten the public health as well as animal health and productivity. NAHMS constituents—consumers, producers, animal health officials, Food Safety and Inspection Service, industry, and researchers—use the NAHMS information to objectively guide their actions in managing these threats.

In the case of E. Coli, APHIS surveyed calves for the presence of this pathogen in dairy cattle in 1991-1992. A total of 6,894 calves were sampled through on-farm visits to 1,068 dairy herds in 28 States. The organism was found in less than 2 percent of the calves. Further work is underway to estimate prevalence of the disease on infected farms, characterize how long these calves remain infected, and to identify specific farm characteristics which minimize the risk of E. Coli infection.

NAHMS dairy heifer evaluation project finds demonstrated that cryptosporidia is present on dairy farms in all areas of the United States. The estimated percentage of farms with this parasite present is more than 90 percent; however, only 2 percent of dairy producers in the NAHMS evaluation indicated that they had a cryptosporidiosis problem in their herds in the previous 6 months. Although calves and cryptosporidium appear to co-exist in relative harmony, potential economic losses in the dairy industry can result from related symptoms including scours, weight loss, and dehydration.

Baseline data on salmonella prevalence is now available in the NAHMS database to support emerging needs related to public health and food safety, as well as animal health. Federal, State, and local government agencies may access this data to guide their resource allocations and program decisions relevant to salmonella.

NAHMS/E. COLI

Mr. DURBIN. In light of the recent outbreak of E. coli infection in the northwest, was any of the information from NAHMS useful during the investigation of trace-back for E. coli infections?

Dr. KING. NAHMS information was especially useful in allaying public and industry fears that dairy cattle should be abandoned as a source of hamburger meat. NAHMS information demonstrated that the prevalence of the E. Coli bacteria in dairy cattle was very low, and that the presence of E. Coli is not restricted to the Northwest. NAHMS found that the bacteria were not clustered in any one region of the country, but were instead present across the nation in all four seasons.

APHIS and FSIS are using NAHMS data and findings to identify improvements in risk management and inspection procedures that will enhance food safety and seek to prevent future outbreaks. NAHMS information is being used to best incorporate a pre-slaughter component into the animal product inspection process, thereby proactively detecting problem animals before they are slaughtered for meat production. APHIS' primary goal is to determine factors that lead to herd infections and cause outbreaks.

EASTERN EQUINE ENCEPHALITIS

Mr. DURBIN. What is the status of the collaborative effort between the State of Florida, the University of Florida, St. John's Water Management District, the U.S. Army Research Unit at Fort Detrick, and APHIS related to eastern equine encephalitis in Florida?

Dr. KING. APHIS, in cooperation with the University of Florida, the Florida Department of Agriculture, and the U.S. Army, is involved in a project to characterize the geographical areas in which a high incidence of Eastern equine encephalomyelitis—EEE—occurs.

Thirteen study areas have been established in Florida. These areas have been mapped using Landsat images in combination with soil and land use data. Data are also being gathered on mosquito populations and horse cases of EEE in and around the study areas. The next phase of the project involves development of a spatial predictive model that will characterize mosquito breeding sites by soils and/or land use. These sites will be related to the locations of the horse cases. This model could predict where horse cases of EEE would have the highest risk of occurring. A second component of the project would be a temporal predictive model using weather data correlated with horse case data to determine seasonal or annual trends in EEE risks.

ANIMAL DAMAGE CONTROL

Mr. DURBIN. For the record, how many states currently have cooperative agreements related to animal damage control with APHIS? Also provide a list of the amounts of cost-share provided by each state.

Dr. KING. APHIS currently has cooperative agreements for ADC control activities with 47 States. Cooperative agreements include any agreement with the State to conduct ADC activities, including those States making in-kind contributions such as office space or equipment. I will provide a table that contains the amount of Federal appropriated funds for FY 1993. The amount of non-Federal contributed funding for FY 1993 is incomplete, therefore, we will provide non-Federal funding for FY 1992.

[The information follows:]

	Appropriated	Non-Federal
Alabama	\$95,000	\$3,834
Alaska	50,100	46,863
Arizona	427,826	292,231
Arkansas	228,000	.....
California	1,509,539	2,122,723
Colorado	743,966	289,470
Connecticut	13,000	12,743
Delaware	9,000	.....
District of Columbia	9,000	.....
Florida	80,000	.....
Georgia	90,000	42,800
Hawaii	82,070	504,956
Idaho	879,261	358,101
Illinois	74,000	45,000
Indiana	83,000	13,905

	Appropriated	Non-Federal
Iowa	50,000	.....
Kentucky	103,000	106,600
Louisiana	263,000	56,751
Maine	123,500	76,200
Maryland	72,000	25,000
Massachusetts	64,300	14,900
Michigan	99,000	13,361
Minnesota	237,500	28,130
Mississippi	481,500	450,459
Missouri	135,300	22,500
Montana	963,801	575,804
Nebraska	378,141	164,478
Nevada	698,614	539,602
New Hampshire	157,600	51,100
New Jersey	84,000	330,000
New Mexico	1,117,392	902,019
New York	131,000	11,400
North Carolina	120,000	16,975
North Dakota	819,163	317,442
Ohio	146,000	40,000
Oklahoma/Kansas	759,594	660,032
Oregon	937,230	690,699
Pennsylvania	66,000	.....
Rhode Island	5,000	.....
South Carolina	93,000	30,000
South Dakota	300,000	790,500
Tennessee	203,000	259,750
Texas	2,303,762	4,551,609
Utah	965,509	747,251
Washington/Guam	505,933	590,217
Wyoming	949,759	718,326
Vermont	65,000	22,538
Virginia	156,000	81,914
West Virginia	85,000	9,000
Wisconsin	508,000	674,739
Total	18,521,360	17,301,922

Mr. DURBIN. For the record, how much was spent on animal damage control research during fiscal years 1992 and 1993, and how much for each of those years was allocated to non-lethal control techniques?

Dr. KING. I will provide a table for the record.

[The information is provided in the following table:]

Fiscal year	Total funding	Total nonlethal	Percent
1992	\$9,517,000	\$5,234,000	55
1993	9,517,000	5,234,000	55

Mr. DURBIN. About two years ago, you began preliminary construction on a new Animal Damage Control Center in Ft. Collins, Colorado. What is the status of that project?

Dr. KING. The Master Plan for construction of the research facilities was completed and approved by APHIS in 1990. The design of the first building for the new research center was completed in October 1991, and solicitation for a construction contract was mailed to prospective bidders in November 1992. Bid opening has been delayed until April 28, 1993, pending clarification of out-year

funding issues. The Agency is also waiting on the concurrence of the new Administration regarding completion of this project.

Mr. DURBIN. What is the total cost to implement the entire Master Plan for the Ft. Collins Facility? Please break this down by each phase.

Dr. KING. The total cost for completion of design, site preparation, and construction was estimated in 1990 to be \$37 million in three Phases: Phase I—\$19.1 million; phase II—\$10 million; and phase III—\$7.9 million.

At this time, sufficient demand for Phase III of the project is not present nor is it expected to be for the foreseeable future. Thus, a revised cost estimate of \$29.1 million has been developed for completion of Phases I and II of the master plan, which would provide facilities to continue ADC's critical animal control methods development.

Mr. DURBIN. For the record, please provide a detailed description and/or status report on each of the following animal damage projects: beaver damage control project conducted in Wisconsin and Mississippi; blackbird control program in North and South Dakota; guarding dog program; Delta States animal control program; sunflower research program in North Dakota; the Hawaii rodent control program; the cooperative agreement with the State of Maine, Department of Fisheries; and the Olympia, Washington research project.

Dr. KING. I will provide status reports of each of those for the record.

[The information follows:]

Beaver Damage Control Project—Wisconsin. The cooperative program between APHIS and the Wisconsin Department of Natural Resources was initiated to rehabilitate prime Wisconsin trout habitat. In FY 1993, APHIS is cooperating with the U.S. Forest Service in beaver control projects in Wisconsin. A total of \$157,370 cooperator and APHIS funds have been allocated for FY 1993. The program has been successful in eliminating beaver damage from 529 miles of trout streams thus far. These streams have been restored to their previous free-flowing condition. The Wisconsin Department of Natural Resources placed a value of \$433,780 on these restored streams due to their increased fishery production capability and the environmental considerations.

Beaver Damage Control Project—Mississippi. The cooperative program between APHIS, the State of Mississippi, and numerous counties and individual landowners is continuing with APHIS funding of \$100,000. The Cooperative Agreement with the State of Mississippi provides State funding in the amount of \$100,000, in addition to county funding of \$78,000 and landowner participation fees up to \$275,000 for a total non-Federal cooperator contribution of \$453,000. This project provides assistance with the management of beaver-caused damage to private property, as well as State and county infrastructures.

Blackbird control program in North and South Dakota. FY 1993 operational funding: Blackbird/Sunflower—\$368,000; and Cattail Management—\$200,000.

APHIS responded to 608 requests for assistance in resolving blackbird damage to sunflowers in FY 1992 in North Dakota and South Dakota. The number of blackbird complaints decreased 30 percent over FY 1991, due in part to a 25-percent reduction in acres planted. The program uses aerial hazing to reduce blackbird damage to sunflowers. This project involves the use of fixed-wing aircraft flying at low levels over sunflower fields to disperse the birds that have come to the fields to feed. During FY 1992, over 2,750 hours were flown hazing birds away from the ripening sunflower fields.

The objective of the cattail management program is to reduce blackbird roosting habitat near sunflower fields and thus blackbird damage to sunflowers. In 1992, the ADC program treated approximately 2,500 acres of cattails in North Dakota and about 300 acres in South Dakota.

Guarding Dog Program. Providing information and advice about livestock guarding dogs is an integral part of the ADC's technical assistance program throughout the nation. Our regional offices are staffed with specialists who provide current information on the benefits and use of livestock guarding dogs to producers. They respond to numerous requests for information from livestock producers and make presentations at various meetings throughout the year on the benefits and use of guarding dogs. In addition, each of the States in the Western Region has an APHIS employee designated as a guarding dog resource person to facilitate getting information to producers.

ADC spent \$250,000 on the guarding dog program in FY 1993. A similar amount is planned for FY 1994.

Delta States ADC program. Of the \$275,000 earmarked for the Delta States initiative, \$125,000 is used for APHIS operational work on an ongoing basis. The balance of the directed funds has been allocated to enhance the ongoing research effort. Continued efforts are being made at reducing bird damage to aquaculture facilities, controlling blackbird roost problems, reducing blackbird damage in grain crops, and controlling other migratory bird problems in the Delta States. The ADC station in Stoneville, Mississippi, conducts control activities toward this end. Current research initiatives that show promise in reducing cormorant damage include night-time harassment of cormorant roosts and use of human effigies as bird frightening devices.

Sunflower research program—North Dakota. FY 1993 research funding: Bird resistant sunflowers—\$75,000; Cattail management—\$167,000; Blackbird toxicants—\$160,000.

A new method is being used in an attempt to reduce and disperse blackbird damage to sunflower crops in North Dakota and South Dakota. This method, removal or thinning of local bird roosting habitat, (i.e., cattails in local marshes), shows great potential. Blackbirds did not roost in cattail marshes that had been treated with the herbicide Rodeo; sunflower fields located within 2 miles of each study marsh averaged a reduction in damage of 75 percent. Cooperative research with North Dakota State University on the amount of habitat that must be altered to disperse blackbirds, and thereby reduce or disperse sunflower damage, is continuing. Research is also continuing to develop bird-resistant sunflowers through plant breeding programs that select morphological features that thwart blackbird feeding.

Hawaii rodent control program. The Denver Wildlife Research Center's Hawaii rodent control research project was established in 1987 after the Center was transferred from ARS to APHIS. The field station facilities in Hilo were renovated to allow research to comply with Animal Welfare Act and Environmental Protection Agency Good Laboratory Practices guidelines, and five staff positions were established. Station staff have conducted extensive field studies to determine the abundance and habitat relationships of the three species of rats in sugarcane fields, conducted a series of laboratory studies to evaluate the efficacy of registered and candidate rodenticides, and collected data to assist in maintaining the availability of registered rodenticides. Work is continuing to define movement patterns and food habits of rats in macadamia nut orchards and evaluate trapping as a nonchemical means of reducing orchard damage, evaluate bait additives for enhancing consumption or increasing toxicity of rodenticides, assess prebaiting treatments to improve the efficacy of rodenticides for reducing rat damage in sugarcane fields, and determine the weathering characteristics of registered zinc phosphide baits to identify possible improvements. Research is being initiated to investigate nonlethal methods such as physical or odor barriers for reducing rat invasion into sugarcane fields and macadamia nut orchards.

Cooperative agreement with the Main Department of Inland Fisheries and Wildlife. The cooperative program with the Maine Department of Inland Fisheries and Wildlife has been renewed and will continue at the same level in FY 1993 as in FY 1992. The ADC program has allocated \$75,000 for this work in FY 1993. The primary species causing damage are white-tailed deer, black bear, coyote, and beaver. APHIS provides technical assistance through workshops, on-site visits, informational leaflets, and the loan of equipment. Some direct control assistance for beaver management was provided from July through September 29, 1992. Sixty site visits were conducted during this time. Electric fencing to help prevent wildlife damage was also provided to 34 producers who were experiencing problems with deer, bear, and coyote.

Olympia, Washington, research project. The Olympia Field Station of the Denver Wildlife Research Center was established in 1986 following the ADC program's transfer to APHIS. This station conducts research on methods to reduce forestry losses caused by wildlife, currently estimated at \$100 million annually. Forest crops are becoming more valuable because of increased demand for limited resources. The

Olympia Station is the only Federal research facility providing data and methodology for managing forest damage caused by rodents and big game on Federal, State, and private lands. The Olympia Station is researching methods to control losses caused by mountain beavers, pocket gophers, and deer. This includes obtaining the data needed for re-registration of baits and repellents. Additional emphasis is being placed on research into non-lethal silvicultural methods for damage management and on barrier methods and candidate odor repellents to protect seedlings or to reduce reinvasion of rodent burrow systems. New office facilities at Olympia have been provided under a cooperative agreement with the Forest Service, and a cooperative substation has been established at Washington State University to facilitate faculty and student participation in this research.

Mr. DURBIN. During fiscal year 1992, the National Agricultural Statistics Service was doing a survey to estimate losses to the cattle industry by predators. What are the results of that survey?

Dr. KING. The survey indicated that predators killed 106,000 cattle and calves during 1991, which amounted to a \$41.5 million loss to that industry. Coyotes were the largest cause of cattle and calf predator losses, accounting for almost 62 percent of the total loss to predators. Dogs, mountain lions, bears, and wolves accounted for the remainder of the cattle losses.

Mr. DURBIN. Do you have any additional statistics on agricultural losses caused by wildlife?

Dr. KING. Since 1989, the ADC program has contracted with the National Agricultural Statistics Service (NASS) to assess the incidence and economic loss to agriculture caused by wildlife. A survey conducted by NASS in 1989 indicated that over one-half of all farmers and ranchers experience economic loss from wildlife each year. Based on further analysis of the 1989 NASS industries amounted to \$68 million. Wildlife-caused losses to field crop producers in that same year were estimated at \$237 million. Wildlife damage to the vegetable, fruit, and nut industry during that year were estimated at \$46 million. Losses to commodities such as fish, nursery products, and honey were estimated at \$14 million, while wildlife damage to stored feed, seed, or grain were estimated at \$26 million. Direct wildlife losses to agricultural resources nationwide are estimated to exceed \$461 million a year.

In 1991, NASS conducted a special survey of sheep and goat producers and determined that predators caused \$27.4 million in losses to that industry during the year.

Mr. DURBIN. What is the status of the ADC Environmental Impact Statement? Do you anticipate any supplementals to this statement in the near future?

Dr. KING. Comments on the Draft EIS have been received from the public, analyzed, and a response in the form of a Supplement to the Draft EIS was published in January 1993. A public comment period began January 22, 1993, and will close April 28, 1993. Comments to the supplement will be addressed in the Final EIS to be completed this fiscal year.

FUNDING FOR BIOCONTROL PROJECTS

Mr. DURBIN. APHIS has, over the years, been increasing its activities related to biocontrol for such pests, leafy spurge and gypsy moth. For the record, please provide us a table showing the funding for all biocontrol projects for fiscal years 1991, 1992, and 1993.

Dr. KING. I will submit a table for the record.
[The information follows:]

FUNDING FOR BIOCONTROL PROJECTS

[Dollars in thousands]

Project	Fiscal year—		
	1991	1992	1993
Alfalfa weevil.....	\$165	\$105	0
Colorado potato beetle.....	445	469	480
Diffuse & spotted knapweed.....	487	515	515
European corn borer.....	578	463	207
Euonymus scale.....	250	515	615
Institute.....	944	732	732
Leafy spurge.....	1,800	1,800	1,800
Sweetpotato whitefly (SPW).....	275	¹ 550	0
Cereal leaf beetle.....	0	0	250
Subtotal.....	4,944	5,149	4,599
Russian wheat aphid (RWA).....	2,400	2,400	2,400
SPW line item.....	0	0	3,000
Total.....	7,344	7,549	9,999

¹ Includes \$250,000 in contingency funds.

Mr. DURBIN. Describe for us the activities related to each of the biocontrol projects.

Dr. KING. APHIS conducts a number of biological control projects. I will provide a description of the significant ones for the record.

[The information follows:]

Colorado Potato Beetle CPB—APHIS collects data throughout 17 States to develop a temperature driven model for CPB phenology. APHIS releases agents to demonstrate the effectiveness of a biological control-based potato crop management system. The Agency evaluates the economic and environmental benefits of this crop system because of increased pesticide resistance and environmental contamination considerations.

Diffuse and spotted knapweed—Through cooperative efforts with scientists in Switzerland and British Columbia, Canada, the Agency has successfully collected and established a field insectary of natural enemies of the diffuse and spotted knapweed. Although difficult to obtain, the moth, beetle, and seedhead weevil were collected, imported, cleared through quarantine at Mission, Texas, and released to the field. APHIS collected and released five species of biological control agents for knapweeds. A total of 64,000 insects were collected domestically, redistributed, and released in 63 location in 11 States.

Leafy spurge—Leafy spurge is an introduced species that is unpalatable to livestock. Several species of beetles, *Aphthona*, are now available from sources in Canada for release to control leafy spurge. APHIS collected 150,000 beetles for redistribution to new locations. Insects were released in 160 locations in 15 States. Previous release sites of these beetles now show a significant reduction of leafy spurge.

Cereal Leaf Beetle [CLB]—The CLB has been a major economic pest of small grains in the northeastern U.S. since it was first discovered in Michigan in 1962. This pest was successfully controlled using biological control techniques. This pest was successfully controlled using biological control techniques. The CLB has now spread to the western States and is found in Utah and Idaho and southeastern States without its total natural enemy complex. APHIS has initiated a new program to redistribute all natural enemies to the west and southeast and import new biotypes of the same species of natural enemies that may be more climatically adapted to the south and high altitudes.

European Corn Borer [ECB]—APHIS attempts to reduce populations of the ECB and related stalk borers by using biological control agents. One million parasitic wasps (*Trichogramma ostrinae*) were released by cooperators into study plots to determine the potential impact of this beneficial organism to the corn borer in crop management systems. One half million of these wasps were shipped to 20 additional sites for established releases.

Euonymus Scale Project [ES]—FY 1991 was the first year of a biological control project for ES, a major ornamental pest. In 1992, a survey was initiated in 23 States east of the Mississippi River to gather baseline data, including distribution of ES and existing native natural enemies of ES. Field insectaries to rear natural enemies for future distribution throughout the U.S. are being established in Indiana, Massachusetts, Michigan, New Jersey, Virginia, North Carolina, Tennessee, California, and Oklahoma. A total of 7,133 natural enemies were released in 10 States and 150 were supplied to researchers.

Russian Wheat Aphid [RWA]—APHIS coordinates and supports foreign exploration and quarantine activities for natural enemies of RWA. APHIS rears exotic species of parasites and predators of RWA for field releases, research, and cooperator requests. The Agency releases parasites and predators against RWA in 16 States (Arizona, California, Colorado, Idaho, Kansas, Montana, Nebraska, New Mexico, Nevada, Oklahoma, Oregon, South Dakota, Texas, Utah, Washington, and Wyoming). APHIS assists methods development in evaluating the ecologic and economic impacts of native and exotic natural enemy species on RWA densities in commercial small grain fields in selected States.

National Biological Control Institute [NBCI]—The NBCI was established within APHIS to implement biological control and integrated pest management. Its mission is to promote, facilitate, and provide leadership for biological control. NBCI provides technical advice and information, develops and maintains computerized databases and a Bulletin Board System; initiates, coordinates, and monitors projects in cooperation with other agencies and institutions; and identifies and supports the needs of cooperators. The NBCI coordinates biological control of animal and plant pests, develops initiatives, and seeks opportunities to integrate biological control with other appropriate pest management technologies.

Mr. DURBIN. For the record, please provide us any information you have related to cost savings to producers from using biocontrol methods versus herbicides or pesticides.

Dr. KING. APHIS has supported two major biological control programs which are now complete. The biological control of the alfalfa weevil is expected to produce net social benefits with a present value of \$2.2 billion. This amount is equivalent to a perpetual stream of net benefits equal to \$88 million per year measured in 1987 dollars. Net social benefits refers to the difference between estimated market benefits and government program expenditures. The expected cost benefit ratio associated with the biological control program of the alfalfa weevil is 1:87. Consumers of livestock products and alfalfa producers are expected to be the main recipients benefiting from this biological control project. The biological control of the cereal leaf beetle is another successful APHIS program providing an average annual benefit to the U.S. economy of \$105 million.

BOLL WEEVIL ERADICATION PROGRAM

Mr. DURBIN. You anticipated expanding the boll weevil eradication program into several new areas during fiscal year 1993. Are you still on target to do that?

Dr. KING. Yes, northwest Georgia and central Alabama are included in the expansion area.

Mr. DURBIN. Have any states recently passed an assessment referendum for the boll weevil program?

Dr. KING. Yes, they have, Both central Alabama, in February, and northwest Georgia, in early March, passed referenda by wide margins.

Mr. DURBIN. What will be the additional cost to the boll weevil program to fully implement these new States?

Dr. KING. The additional federal costs to expand the program into the remainder of Alabama and southeast Tennessee are approximately \$3.7 million annually for 2 years and \$2 million annually for an additional 2 years.

Mr. DURBIN. There have been relatively mild winters the last couple of years throughout most of the southeast. Has this caused any modifications to the eradication effort for boll weevil?

Dr. KING. The mild winters generally result in a larger percentage of weevils that winter over to emerge the following spring. These weevils need to be treated, so program control costs are greater following a mild winter than they would be after colder weather.

Mild winters also result in higher weevil populations in non-program cotton producing areas that adjoin the program. These high populations migrate into the program's buffer zone late in the season, causing an increased in the program's control costs.

Mr. DURBIN. Last year, Mr. Melland said that a 1989 Economic Research Service report indicated that the eradication program consisted primarily of a \$34.00 per acre increase in cotton yields and annual cost savings of about \$30.00 per acre from using less pesticides. Do you have any updates on additional cost savings related to the boll weevil eradication effort?

Dr. KING. The increased yield and pesticide saving increased land rental values by about \$14 per acre as a result of boll weevil eradication. Growers in eradicated areas can expand yield and pesticide savings to more land areas by shifting acreage from other crops to cotton.

Mr. DURBIN. At one point, the goal was to eradicate boll weevil in the United States by the year 2015. In light of the setback by some states in passing a referendum for enabling legislation within those states, has the time table for eradication been moved?

Dr. KING. No, it has not. We still anticipate being able to eradicate boll weevil from the United States by 2015 now that central Alabama and northwest Georgia are entering the program.

Mississippi and Texas have passed legislation allowing for referenda to assess producers when the expanding program reaches their States. The Oklahoma legislature is considering a bill and there is growing interest to draft a bill in Missouri. If these bills are passed, all seven of the remaining infested states will have legislation allowing for grower referenda to assess producers to begin the program.

It is possible that APHIS will be asked to consider starting eradication increments in the summer of 1995 in parts of Texas, Louisiana, and Mississippi, along with the first full season in North Alabama. If these three increments are staffed and funded, nationwide eradication could be accomplished by 2005.

CATTLE TICKS

Mr. DURBIN. Last year, Mr. Melland said that the goal was to eradicate the cattle fever ticks from Puerto Rico by the end of fiscal year 1998. Has that target date moved any? Do you still anticipate eradication by then?

Dr. KING. We still expect to eradicate cattle fever ticks from Puerto Rico by the end of FY 1998. However, if circumstances occur to change that target we will keep you informed.

Mr. DURBIN. What is the status of the Puerto Rico cattle tick eradication effort? What funds are being expended by APHIS, by FNS, and by the Commonwealth of Puerto Rico for this effort?

Dr. KING. Progress continues to be made in the Puerto Rico program with 57 percent of the bovine premises free of cattle ticks by the end of FY 1992. The number of cattle freed of ticks stood at 122,507 at the end of the 1st quarter, FY 1993, compared to 98,274 on the same date in FY 1992.

Funds expended by APHIS, FNS, and the Commonwealth of Puerto Rico since 1987 are provided for the record.

[The information following:]

Fiscal year	APHIS	FNS	Puerto Rico
1987.....	\$2,238,890	\$8,190,253	\$1,483,605
1988.....	1,375,530	8,538,988	1,020,000
1989.....	1,375,530	9,584,926	1,350,204
1990.....	1,375,530	9,600,000	1,350,204
1991.....	1,423,755	10,825,000	1,250,200
1992.....	1,423,238	10,825,000	1,250,605
1993 (estimated).....	1,647,000	10,825,000	1,280,000

BOLL WEEVIL

Mr. DURBIN. For each of the boll weevil programs, please provide funding levels for fiscal years 1991, 1992, and 1993.

[The information follows:]

BOLL WEEVIL FUNDING LEVELS

	Fiscal year—		
	1991	1992	1993
High plains.....	\$651	568	\$783
Southwest.....	1,860	812	932
Southeast.....	10,655	10,636	11,420
Total.....	13,166	12,016	13,135

CITRUS CANCER

Mr. DURBIN. What funds do you anticipate spending on citrus canker during fiscal year 1993? Have there been any recent detections of citrus canker within the United States since January 1992?

Dr. KING. APHIS plans to spend approximately \$1 million from the miscellaneous plant and animal disease line item for citrus canker activities in fiscal year 1993.

No, we have not detected any citrus canker in the United States since January 1992.

GOLDEN NEMATODE

Mr. DURBIN. For the golden nematode program, how much during fiscal year 1992 was spent on regulatory activities and how much was spent on research?

Dr. KING. In FY 1992 APHIS spent \$832,000 for regulatory activities and \$30,000 for a cooperative agreement with Cornell University to conduct research into resistant potato varieties.

Mr. DURBIN. Recently, there was a golden nematode resistant potato developed by the Agricultural Research Service. What has APHIS done to promote growing the nematode resistant potato on Long Island?

Dr. KING. APHIS has partially funded a cooperative plant breeding program at Cornell University in Ithaca, New York for a number of years. As a result of this program there are now more than 20 Potato varieties with resistant to golden nematode available to growers. The control portion of the current eradication program is based on the use of resistant potato varieties. When these varieties are used in the required crop rotation system, there is a dramatic reduction in nematode populations over a 4 year period. In addition, this program has the advantage of freeing growers from the use of chemicals to control nematode populations. Control of golden nematode through the use of resistant varieties is achieved in both the Long Island and Upstate-Steuben County areas of New York.

GRASSHOPPER/MORMON CRICKET CONTROL PROGRAM

Mr. DURBIN. For the grasshopper and Mormon cricket control program, please provide us a five-year table showing the amounts appropriated each year, the amount carried over each year, and the amount actually spent for control activities.

Dr. KING. The requested table will be provided for the record.

[The information follows:]

GRASSHOPPER/MORMON CRICKET APPROPRIATION, OBLIGATIONS, AND CARRYOVER

Year	Appropriation	Obligated for control	Carryover into succeeding year
Fiscal year:			
1992.....	\$8,850,000	\$1,371,000	\$14,060,012
1991.....	8,850,000	1,154,000	13,181,888
1990.....	¹ 15,529,000	1,922,000	12,396,426
1989.....	8,850,000	315,000	5,439,140
1988.....	8,850,000	92,000	3,863,466

Note.—\$1,868,000 carried over from FY 1987 into FY 1988.

¹ \$6.8 million supplemental for control on Conservation Reserve Program (CRP) land.

Mr. DURBIN. For fiscal years 1990, 1991, and 1992, please provide a table showing how much of the grasshopper and Mormon cricket funds were spent in each state.

Dr. King. The requested table will be provided for the record.

[The information follows:]

GRASSHOPPER/MORMON CRICKET OBLIGATIONS BY STATE

State	Fiscal year		
	1990	1991	1992
Alaska	\$1,448	\$1,858	\$1,597
Arizona	1,265	602,285	517,546
Arkansas	2,075	0	0
California	447,728	351,530	302,071
Colorado	430,285	567,586	487,729
Idaho	1,454,793	1,507,463	1,295,368
Kansas	35,712	35,697	30,675
Maryland	397,888	883,467	759,166
Michigan	25,130	20,000	17,186
Minnesota	0	259,434	222,933
Mississippi	55,607	42,000	35,091
Montana	1,388,000	1,358,521	1,167,362
Nebraska	133,462	100,450	86,317
Nevada	343,350	0	0
New Mexico	263,812	198,448	170,527
New York	163,346	170,926	146,877
North Dakota	133,014	130,835	112,427
Oklahoma	72,680	37,518	32,239
Oregon	28,372	68,398	58,775
South Dakota	285,182	390,319	335,402
Texas	202,976	417,819	359,033
Utah	2,082,602	319,164	274,259
Washington	143,930	193,315	186,116
Wyoming	348,644	372,731	320,289
District of Columbia	31,280	45,382	38,997
Total	8,472,581	8,075,146	6,957,982

Mr. DURBIN. For fiscal years 1990, 1991, 1992, and 1993, please provide us information on how much of the grasshopper control money was spent on survey funds and how much was on control activities.

Dr. KING. The requested information is provided for the record [The information follows:]

GRASSHOPPER/MORMON CRICKET EXPENDITURES

[Dollars in thousands]

	Survey	Control
Fiscal year:		
1993 (estimated)	\$3,850	\$200
1992	3,844	1,371
1991	3,861	1,154
1990	3,530	1,922

Mr. DURBIN. Please provide a table showing how much has been spent on the IPM project for the past five years.

Dr. KING. As requested, a table is provided for the record. [The information follows:]

Grasshopper/Mormon cricket—integrated pest management expenditures

Fiscal year:	Obligations (thousands)
1992.....	\$2,751

	<i>Obligations (thousands)</i>
1991.....	3,061
1990.....	2,853
1989.....	2,638
1988.....	2,706

Mr. DURBIN. Last year, Mr. Melland indicated that there were several demonstration projects around the country to show results of the grasshopper IPM program. This was an effort to transfer technology to others. What is the status of the IPM technology transfer program?

Dr. KING. The technology transfer phase of the IPM program is continuing as planned. Manuals are being prepared on identification and use of a computer modeling system, final research is being conducted on a chemical treatment product called Dimilin, a Geographic Information System is nearing completion, and a historical database is being completed. We expect to complete technology transfer by the end of fiscal year 1994 as planned.

AFRICANIZED HONEY BEE

Mr. DURBIN. We are aware that the Africanized honey bee has invaded the Rio Grande Valley. What funds is APHIS expending to continue to do work on Africanized honey bees? How much of the funds spent is for surveillance, identification, monitoring, tracking, etc?

Dr. KING. APHIS' total support for the honey bee pest program in FY 1993 is about \$471,000. These funds are not separately identified by categories such as surveillance, monitoring, tracking, etc. The focus of the program is to monitor the movement of the Africanized honey bee.

IMPORTED FIRE ANT

Mr. DURBIN. For the record, please provide a list of states in which the imported fire ant currently is established.

Dr. KING. The IFA is currently established in the following 12 regulated areas: Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, North Carolina, Oklahoma, Puerto Rico, South Carolina, Tennessee, and Texas. Currently, eradication of isolated infestations is occurring in California, Maryland, Tennessee, Texas, and Virginia.

Dr. Durbin. Are there any instances where either surveillance or surveys have detected new outbreaks of the fire ant in new states other than those that were established during fiscal year 1992?

Dr. KING. There are no such instances.

Mr. DURBIN. Please describe for us research efforts that APHIS is conducting in the area of imported fire ants, including how much is being spent on each project and where.

Dr. KING. In FY 1993, APHIS is spending \$750,000 at its Plant Methods Development Station in Gulfport, Mississippi. This facility is the sole source of technology development for support of the Federal fire ant quarantine. This station tests Award and other products annually in a cooperative effort with registrants to develop more cost effective methods of combatting fire ants. No other research organization is engaged in this field of research. The Agency provides funds to the University of Arkansas to conduct research

on the economic impact of IFA on agriculture and the environment. APHIS works with ARS to screen and develop promising new chemicals and biocontrol agents. In FY 1992, APHIS worked with States, EPA, and chemical manufacturers to obtain registration for a new pesticide, bifenthrin.

Mr. DURBIN. For the record, please provide us a list that shows the states where you have cooperative agreements, and how much each state is receiving under the cooperative agreement.

Dr. KING. The requested list will be provided for the record.

[The information follows:]

Cooperative agreements for imported fire ant

<i>State</i>	<i>APHIS contribution</i>
Alabama	\$175,000
Arkansas.....	214,700
Arizona	35,000
Florida.....	202,000
Georgia.....	65,473
Louisiana.....	112,600
Mississippi.....	217,600
North Carolina.....	50,000
New Mexico.....	14,400
Nevada	10,000
Oklahoma	31,743
Tennessee	105,000
Texas	270,000
Total.....	1,503,516

Mr. DURBIN. Has APHIS received any request from states for cooperative treatment programs related to the imported fire ant program since 1985?

Dr. KING. No, APHIS has not received any such requests.

MISCELLANEOUS PLANT AND ANIMAL DISEASES

Mr. DURBIN. For the record, please provide a listing and dollar amounts used to cover specific pests and diseases from the miscellaneous plant and animal disease account for fiscal years 1991 and 1992. Also provide any information for 1993.

Dr. KING. The requested list will be provided for the record.

[The information follows:]

MISCELLANEOUS PLANT AND ANIMAL DISEASE PROGRAMS

[Dollars in thousands]

Pest/disease	Fiscal year—		
	1991	1992	1993
Africanized honey bee.....	116	308	73
Alfombrilla.....	2	3	3
Apple ermine moth.....	67	85	82
Cherry bark tortrix.....	22	75	73
Citrus canker.....	6	1,025	1,022
Chrysanthemum white ruse.....	0	180	177
Corn cyst nematode.....	24	20	20
Egyptian cottonworm.....	4	7	7
European larch canker.....	36	35	35
Exotic pests.....	9	15	0
Japanese beetle.....	241	235	240
Karnal bunt.....	8	17	127

MISCELLANEOUS PLANT AND ANIMAL DISEASE PROGRAMS—Continued

[Dollars in thousands]

Pest/disease	Fiscal year—		
	1991	1992	1993
Khapra beetle.....	62	60	62
Oriental fruit fly.....	54	0	0
Poplar rust.....	0	0	10
Potato beetle.....	45	45	45
Potato virus—Y.....	0	844	12
White garden snail.....	54	0	0
Miscellaneous fruit flies.....	51	0	0
Subtotal, plant pests.....	801	2,954	1,988
Anaplasmosis.....	119	107	94
Bluetongue.....	135	160	140
Bovine leukosis.....	131	122	107
Bovine piroplasmosis.....	119	107	94
Bovine spongiform encephalopathy.....	182	164	144
Contagious equine metritis.....	134	110	96
Equine encephalomyelitis.....	179	188	163
Equine infectious anemia.....	179	147	129
Equine piroplasmosis.....	179	120	105
Equine viral arteritis.....	90	80	70
Glanders.....	96	75	66
Other.....	33	30	26
Subtotal, animal diseases.....	1,577	1,410	1,234
Total miscellaneous plant and animal diseases.....	2,378	4,364	3,222

NOXIOUS WEED SURVEYS

Mr. DURBIN. For the record, provide a list of states in which you conduct noxious weed surveys in fiscal years 1991, 1992, and 1993, and tell us which particular pest you are surveying. How much did you spend in each state during those years?

Dr. KING. The list of states will be provided for the record.

[The information follows:]

NOXIOUS WEED SURVEYS

State	Pest survey	Fiscal year—		
		1991	1992	1993
Texas.....	O. Ramosa.....	\$40,000	\$75,000	\$75,000
Texas.....	Liverseed Grass.....	12,000	12,000	.....
New Mexico.....	Liverseed Grass.....	1,700	.....	.....
Texas.....	Water Spinach.....	.....	1,000	.....
Texas.....	Onion Weed.....	1,700	500	.....
Missouri.....	Nassella.....	2,700	.....	.....
New Mexico.....	Alfombrilla.....	4,000	.....	.....
Texas.....	Alfombrilla.....	1,000	.....	.....
Kansas.....	Multi-State weed survey groups ¹	1,600	.....	.....
Oklahoma.....	.....	1,600	.....	.....
Texas.....	.....	1,800	.....	.....
Louisiana.....	Cogongrass.....	5,000	.....	.....
Texas.....	Kikuyu Grass.....	3,000	.....	.....
Louisiana.....	Itchgrass.....	5,000	.....	.....
Texas.....	Water Spinach.....	1,000	.....	.....

NOXIOUS WEED SURVEYS—Continued

State	Pest survey	Fiscal year—		
		1991	1992	1993
Florida.....	Wild Red Rice.....	13,000		
	Hydrilla.....			
Florida.....	Mimosa Pigra.....		32,000	45,000
South Carolina.....	Cuscuta Japonica.....		3,742	14,200
South Carolina.....	Orobanche Minor.....		3,124	3,600
Georgia.....	Orobanche Minor.....		3,124	3,600
All of the United States.....	National Herbarium Survey ¹	21,167	21,166	21,167
California.....	Salsola.....			10,000
Total.....		116,267	151,656	172,567

¹ Note.—These surveys include the weeds listed in the Federal Noxious Weed Act.

PINK BOLLWORM STERILE MOTH REARING FACILITY

Mr. DURBIN. The last several years, Congress provided additional funds to fully equip the Pink Bollworm Sterile Moth Rearing Facility in Phoenix, Arizona. Mr. Melland had indicated that APHIS would need to simultaneously run both facilities to assure confidence before complete conversion. What is the status of that project?

Dr. KING. Current plans call for the replacement rearing facility to begin producing sterile pink bollworm moths by the end of March 1993. As soon as the replacement facility demonstrates consistent, stable production, the old facility will be shut down, disassembled, and removed. This should occur by July 1994.

Mr. DURBIN. Please provide a table showing the amount of funds provided by cotton producers to operate that facility for each of the past five years?

Dr. KING. The requested table will be provided.

[The information follows:]

Producer contributions to operate the pink bollworm rearing facilities

Fiscal year:	Contributions (thousands)
1992.....	\$1,472
1991.....	1,835
1990.....	1,834
1989.....	1,665
1988.....	1,500

Mr. DURBIN. What is the dollar value loss to cotton annually from pink bollworm problems?

Dr. KING. The amount of damage caused by pink bollworm to cotton varies each year. In the mid-1980's, individual growers in Southern California spent nearly \$400 per acre to control pink bollworm during a single season. According to the Economic Research Service, total yield loss and control costs for pink bollworm in 1988 were approximately \$71 million.

Mr. DURBIN. Of the amount available for pink bollworm during fiscal year 1993, how much is to be spent on equipment purchases, regulatory and survey activities, and operation of the facility?

Dr. KING. During FY 1993, we plan to spend \$800,000 on equipment for the rearing facility, \$500,000 on operation of the rearing facility, and \$733,000 on regulatory and survey activities.

BRUCELLOSIS

Mr. DURBIN. The brucellosis program continues to make significant progress. For the record, please provide a list of the States and their status.

Dr. KING. As of March 23, 1993, the State classification will be provided for the record.

[The information follows:]

Class free: Alaska, Arizona, Connecticut, Delaware, District of Columbia, Hawaii, Idaho, Illinois, Indiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Montana, Nevada, New Hampshire, New Jersey, New York, North Carolina, North Dakota, Ohio, Oregon, Pennsylvania, Puerto Rico, Rhode Island, South Carolina, Utah, Vermont, Virginia Islands, Virginia, Washington, West Virginia, Wisconsin, and Wyoming.

Class A: Alabama, Arkansas, California, Colorado, Florida, Georgia, Iowa, Kansas, Kentucky, Louisiana, Mississippi, Missouri, Nebraska, New Mexico, Oklahoma, South Dakota, and Tennessee.

Class B: Texas.

Mr. DURBIN. How much is spent in each of these States on brucellosis activities?

Dr. KING. A table showing the amounts, both Federal and non-Federal, that was spent in FY 1992 on brucellosis activities is provided for the record.

[The information follows:]

State	Federal	Non-Federal	Total
Alabama.....	\$1,809,968	\$2,903,370	\$4,713,338
Alaska.....	10,788	28,230	39,018
Arizona.....	314,424	276,095	590,519
Arkansas.....	1,677,458	3,345,703	5,023,161
California.....	2,070,762	7,809,035	9,879,797
Colorado.....	3,256,886	1,603,062	4,859,948
Connecticut.....	22,162	74,700	96,862
Delaware.....	24,503	19,198	43,701
Florida.....	6,670,777	5,848,006	12,518,783
Georgia.....	1,749,171	4,428,436	6,177,607
Hawaii.....	158,601	88,124	246,725
Idaho.....	530,172	1,617,293	2,147,465
Illinois.....	542,053	1,347,332	1,889,385
Indiana.....	227,967	1,152,279	1,380,246
Iowa.....	849,859	1,951,883	2,801,742
Kansas.....	1,157,854	2,081,553	3,239,407
Kentucky.....	1,415,965	3,515,450	4,931,415
Louisiana.....	2,060,507	2,390,688	4,451,195
Maine.....	62,610	186,089	248,699
Maryland.....	7,605,326	1,051,327	8,656,653
Massachusetts.....	338,911	204,265	543,176
Michigan.....	311,922	311,195	623,117
Minnesota.....	3,361,380	1,064,549	4,425,929
Mississippi.....	2,340,326	1,180,195	3,520,521
Missouri.....	2,474,144	6,402,313	8,876,457
Montana.....	309,536	1,684,341	1,993,877
Nebraska.....	1,153,559	1,850,396	3,003,955
Nevada.....	402,456	0	402,456
New Hampshire.....	19,257	208,218	227,475
New Jersey.....	169,341	151,874	321,215
New Mexico.....	690,009	348,976	1,038,985

State	Federal	Non-Federal	Total
New York	962,048	1,255,535	2,217,583
North Carolina	676,133	1,181,538	1,857,671
North Dakota	299,972	471,377	771,349
Ohio	395,644	1,052,877	1,448,521
Oklahoma	2,412,314	6,780,576	9,192,890
Oregon	362,288	1,822,387	2,184,675
Pennsylvania	767,482	1,117,896	1,885,378
Rhode Island	16,319	50,604	66,923
South Carolina	435,949	713,190	1,149,139
South Dakota	521,622	1,563,269	2,084,891
Tennessee	1,422,380	1,859,721	3,282,101
Texas	7,643,726	9,500,006	17,143,732
Utah	362,373	685,391	1,047,764
Vermont	53,532	288,896	342,428
Virginia	254,943	1,398,647	1,653,590
Washington	498,005	2,158,929	2,656,934
West Virginia	288,950	366,498	655,448
Wisconsin	885,069	3,973,385	4,858,454
Wyoming	328,655	600,000	928,655
District of Columbia	² 1,157,408	0	1,157,408
Puerto Rico	706,596	243,800	950,396
Total	63,936,426	91,960,832	155,897,258

¹ Program costs that are charged on a national basis are charged to Maryland and the District of Columbia.

² Program costs that are charged on a national basis are charged to Maryland and the District of Columbia.

Mr. DURBIN. Do you expect Texas to go from Class B to Class A status during fiscal year 1993?

Dr. KING. We are projecting that Texas will move from Class B to Class A in September 1993. The number of quarantined herds in Texas declined from 269 in November 1991 to 254 in November 1992. Some area tests were conducted in Colorado, Wharton, Kaufman, and Van Zandt Counties. After completion of area testing, we will have identified the herds that are infected, they will be quarantined, spread of the disease will be limited. The adjacent herd testing has been expanded to include any herd within ¼ mile, and first-point of concentration testing is being done at markets throughout the State.

Mr. DURBIN. Do you anticipate any states going to Free status during fiscal year 1993?

Dr. KING. We are projecting that Alabama, Georgia, Iowa, Nebraska, and Tennessee will move to Class Free status during FY 1993.

Mr. DURBIN. When all states are declared brucellosis free, what do you anticipate the maintenance costs for brucellosis will be?

Dr. KING. It will take approximately \$34 million annually for monitoring and surveillance to provide the vigilance to protect against the reappearance or reentry of brucellosis. Surveillance for disease and the complementary monitoring of animal health are long-term commitments to protect and improve animal and human health. Surveillance must continue at least 10 years after the last case of brucellosis is detected.

SWEET POTATO WHITEFLY

Mr. DURBIN. How much money is being spent on sweet potato whitefly research? How much is being spent on control activities and how much on eradication?

Dr. KING. The Agency cooperates with other Federal and State agencies and industry to implement its SPW program. In FY 1993, APHIS entered into an interagency agreement with the Agricultural Research Service—ARS—to implement and evaluate a biological control program in the Rio Grande Valley of Texas, expending about \$54,000. APHIS' has a \$25,000 agreement with ARS in Beltsville, Maryland, to assist in taxonomic identification of exotic and native parasites of the SPW. The Agency also has participated with the Cooperative State Research Service in an interagency agreement to determine the economic benefits of the SPW biological control program in APHIS.

In FY 1993, APHIS is implementing a biological control program of the SPW via a national SPW integrated pest management program involving numerous objectives and specific tasks relating to quarantine screening, laboratory culturing, and mass production and release of natural enemies. The program costs APHIS about \$3 million, covering establishment and impact evaluations, technology transfer, and training. In FY 1994, control activities will continue at the cost of about \$3.5 million.

Mr. DURBIN. Recently, the news media has indicated that, perhaps, this pest is truly not a sweet potato whitefly, but some other type of whitefly. What is your current belief on this?

Dr. KING. The SPW that is presently plaguing American agriculture may be a biotype of the same species or a very closely related species in the same genus. A committee of the National Research and Action Plan for Development and Management and Control Methodology recently stated that it may be premature to determine that the SPW may be a different species when only minimal taxonomic information is currently available. Research is still being conducted to confirm whether it is a different species other than SPW.

Mr. DURBIN. What is the status of sweet potato whitefly activities during fiscal year 1993?

Dr. KING. APHIS will apply biological control technologies against the SPW and conduct an extensive survey to determine its distribution in the U.S. APHIS will conduct major activities on SPW in FY 1993 including importation, quarantine screening, mass production and release of natural enemies; evaluation of releases; surveys and monitoring of establishment; and impact dispersal.

Mr. DURBIN. What were the agricultural losses attributed to the sweet potato whitefly in the United States during fiscal year 1992?

Dr. KING. In California alone, the Imperial County Agricultural Commission's Office estimated that whitefly damage of fall and winter 1991-1992 crops resulted in losses of about \$111 million. This estimate includes loss of the gross values of crops and their production costs. Economic losses to agricultural crops in the States of Texas, California, Arizona, and Florida are estimated to be in excess of \$750 million for 1991 and 1992.

Mr. DURBIN. Where are you spending research dollars on sweet potato whitefly and how much?

Dr. KING. A table showing research needs supported by APHIS in FY 1993 will be provided for the record.

[The information follows:]

Research supported by APHIS

	[Dollars in thousands]	<i>Annual funding</i>
Research organization:		
USDA, ARS, Weslaco, Texas.....		\$54
USDA, ARS, Beltsville, Maryland.....		25
USDA, CSRS, University of Florida, Gainesville, Florida.....		25
Total.....		\$104

PLANT METHODS DEVELOPMENT

Mr. DURBIN. What is the total amount spent on plant methods development activities in each of the past five years?

Dr. KING. I will submit a table for the record.

[The information follows:]

Plant methods development costs

Fiscal year:	<i>Amount</i>
1988.....	4,785,000
1989.....	4,785,000
1990.....	4,714,551
1991.....	7,040,551
1992.....	5,172,912

*Prior to FY 1989, plant methods development was not a separate line item.

Mr. DURBIN. Where were these funds spent?

Dr. KING. Most plant methods development funding is used at five plant methods development centers (PMDC) and their six satellite stations, and for cooperative agreements in which plant methods development laboratories participate.

I will provide a list of the plant methods development centers and their specialties.

[The information follows:]

Hoboken, New Jersey PMDC—focuses on methods for inspection and treating plant materials and products to ensure that exotic pests or diseases do not enter the United States.

Otis Air National Guard Base PMDC in Massachusetts—concentrates on gypsy moth activities; new pest detection, identification, and control; and biological control development and evaluation.

Mission, Texas PMDC—conducts studies on boll weevils and tropical fruit flies. (Satellite stations include Gainesville, Florida; Guatemala City, Guatemala; State College, Mississippi; and Waimanalo, Hawaii).

Phoenix, Arizona PMDC—supports activities involving pink bollworm in cotton, rangeland grasshopper, sweet potato whitefly, and other high priority needs unique to the Western United States.

Whiteville, North Carolina PMDC—concentrates on the control of exotic weeds and the imported fire ant. (Satellite stations include Dillon, North Carolina and Gulfport, Mississippi).

Mr. DURBIN. Please provide a list of the specific pests that work is being conducted on as part of your plant methods development program in fiscal year 1993.

Dr. KING. The requested list will be provided for the record.

[The information follows:]

FY 1993 Plant Methods Development Specific Pests for Methods Work

Africanized honeybee	Grape vine moth.....	Pink bollworm.
Apple ermine moth.....	Green bug	Plum fruit moth.
Asian common wild rice.	Gypsy moth	Rice cutworm.
Bollworm.....	Hydrilla.....	Rangeland grasshopper complex.

FY 1993 Plant Methods Development Specific Pest for Methods Work—Continued

Boll weevil	Imported fire ant.....	Silver Y moth.
Branched broomrape.....	Japanese beetle.....	Small broomrape.
Cabbage moth	Karnal bunt	Summer fruit tortrix moth.
Caribbean fruit fly	Khapra beetle	Sweetpotato whitefly.
Catclaw mimosa	Light brown apple moth.	Tobacco budworm.
Common cuprina	Maize borer	Trogerderma granarium.
Egyptian cottonworm	Mediterranean fruit fly..	Whitefly.
Euopean grape berry moth.	Mediterranean saltwort.	Wild sugarcane.
Goatsrue.....	Mexican fruit fly	Witchweed.
Golden nematode.....	Pine shoot beetle.	

PLANT AND ANIMAL METHODS DEVELOPMENT

Mr. DURBIN. For the record, please describe some of the recent developments related to your research efforts for both plant and animal methods development activities.

Dr. KING. I will submit several examples for the record.
[The information follows:]

An enzyme linked immunosorbent assay test has been developed for rapid identification of the Khapra beetle at U.S. ports.

Twelve facilities have been certified in South and Central America to ship hot water treated mangoes to the United States, thus reducing the use of chemical fumigants such as methyl bromide.

Tests are currently underway on non-chemical treatments, specifically cold treatment, for insects infesting seeds. This is necessary to replace chemicals that are or will be banned by the Environmental Protection Agency.

A noxious weed inspection system has been developed to facilitate exclusion of noxious weeds at ports of entry, and an operational manual for biologically sound methodology for eradication of witchweed and other noxious weeds has been completed.

A national herbarium survey initiated in FY 1992, is providing the foundation for a database containing information to locate and identify noxious weeds in the United States.

New regulatory treatments were developed and recently implemented to control imported fire ants on nursery stock and enable shipment from the infested area.

In grasshopper IPM technology development and transfer, field tests of a biological control agent have provided excellent control. If successful in large scale tests, this will be major breakthrough in bio-rational control of rangeland species with a very selective agent.

Sterile insect release technology has been improved by mechanizing diet production and containerization for mass rearing. Production costs will decrease and yield will increase significantly. Major advances in understanding pink bollworm reproductive behavior have been made, so that reproduction can be more efficiently controlled with pheromones, rather than with insecticides.

Rapid advancements have been made in selecting and testing predators and parasites for use in suppressing epidemic sweet potato whitefly populations.

Regulatory treatments have been developed for the Asian gypsy moth, Japanese beetle, and the apple ermine moth. When fully developed, these treatments will allow for freer domestic and international movement of agricultural products.

Significant progress has been made in developing target-specific, non-chemical control for the gypsy moth, including the mating disruption technique, and the use of an environmentally safe nuclear polyhidrosis virus.

In FY 1993, APHIS joined with the Wyoming Game and Fish Department in providing funds for elk winter habitat improvements. As a result, elk feeding naturally on improved habitat rather than being congregated on feed grounds will decrease the transmission of brucellosis within elk populations.

The APHIS National Veterinary Services Laboratories In Ames, Iowa has worked with the University of Wisconsin, the New York Institute for Basic Research, and

the Rocky Mountain Laboratory of the National Institutes of Health to evaluate the use of immunoblotting techniques to detect scrapie-specific protein in the brains of scrapie-infected sheep. This protein was found in all brains that were diagnosed positive by conventional histologic techniques, as well as in brains that gave inconclusive results by histopathology. Also, scrapie-specific protein was detected in brains which had undergone postmortem degeneration and were unsuitable for histologic examination. Therefore, our analysis of sheep brains for scrapie-specific protein appears to provide a diagnostic approach that is superior to histologic examination alone.

From our project with the University of Pennsylvania, we discovered that *Salmonella Enteritidis* Was detected in 100 percent of egg samples and 99.8 percent of various field and research samples by both ELISA and traditional microbiological isolation and identification techniques.

BIOTECHNOLOGY

Mr. DURBIN. How many permit reviews for biotechnology activities were performed during fiscal year 1992?

Dr. KING. APHIS completed 145 reviews of permit applications for release and field testing of genetically engineered organisms during FY 1992.

Mr. DURBIN. How many interstate movement permit reviews did APHIS perform?

Dr. KING. The Agency completed 227 reviews of permit applications for interstate movement of genetically engineered organisms. This figure does not include permit reviews for the importation of such organisms, nor for the issuance of courtesy permits for movement of genetically engineered organisms that are similar to, but are not regulated organisms.

Mr. DURBIN. What is the average length of time that each of these reviews took?

Dr. KING. The average number of days to process a release permit in FY 1992 was 71 days. The average length of time to process a movement permit was 52 days.

Mr. DURBIN. Please provide a five-year staffing and funding table, beginning with fiscal year 1990, showing the resources for biotechnology efforts.

Dr. KING. The staffing and funding table requested will be provided for the record.

[The information follows:]

	FY 1990	FY 1991	FY 1992	FY 1993	FY 1994
Funding	\$4,653	\$5,707	\$7,503	\$7,652	N/A
Staff Years	50	55	60	95	N/A

Mr. DURBIN. For the record, please provide a list of pending or approved genetically modified organisms that would be introduced into the environment that were subject to review and/or approval by APHIS.

Dr. KING. I would be pleased to do so. Please note that the pending genetically modified organisms are not included. This information is not available to the public until after publication in the FEDERAL REGISTER.

[The information follows:]

Release Permits, 7 16-Apr-93				Listed by: Non Pending permits, date			
Received	R/C	Due	IWP	Issued	Institution	Com	Reg article
16-Jun-87	Rel	14-Oct-87	Iss	23-Dec-87	Calgene	C	Tomato
27-Jul-87	Rel	24-Nov-87	Iss	21-Dec-87	Calgene	C	Tomato
14-Aug-87	Rel	12-Dec-87	Iss	28-Dec-87	Du Pont	C	Tomato
17-Aug-87	Rel	15-Dec-87	Iss	25-Nov-87	Calgene	C	Tobacco
17-Aug-87	Rel	15-Dec-87	Iss	11-Dec-87	Calgene	C	Tobacco
25-Nov-87	Rel	24-Mar-88	Iss	23-Mar-88	Monsanto	C	Tomato
25-Nov-87	Rel	24-Mar-88	Iss	23-Mar-88	Monsanto	C	Tomato
27-Nov-87	Rel	26-Mar-88	Iss	22-Mar-88	Du Pont	C	Tomato
21-Dec-87	Rel	19-Apr-88	Iss	25-May-88	Crop Geneti	C	Clavibacter
11-Jan-88	Rel	10-May-88	Iss	25-Apr-88	Monsanto	C	Tomato
27-Jan-88	Rel	26-May-88	Iss	06-Jun-88	Iowa State	nC	Tobacco
28-Jan-88	Rel	27-May-88	Iss	24-May-88	Agrigenetics	C	Tomato
29-Jan-88	Rel	28-May-88	Iss	23-May-88	Agrigenetics	C	Tomato
05-Feb-88	Rel	04-Jun-88	Iss	27-Apr-88	Sandoz	C	Tobacco
10-Feb-88	Rel	09-Jun-88	Iss	05-May-88	Monsanto	C	Tomato
10-Feb-88	Rel	09-Jun-88	Iss	23-May-88	Monsanto	C	Tomato
10-Feb-88	Rel	09-Jun-88	Iss	23-May-88	Monsanto	C	Tomato
23-Feb-88	Rel	22-Jun-88	Iss	28-Apr-88	Sandoz	C	Tobacco
31-Mar-88	Rel	29-Jul-88	Iss	28-Jul-88	Du Pont	C	Tobacco
01-Apr-88	Rel	30-Jul-88	Iss	22-Jun-88	Du Pont	C	Tomato
23-Aug-88	Rel	21-Dec-88	Iss	14-Dec-88	Calgene	C	Tomato
09-Nov-88	Rel	09-Mar-89	Iss	22-Feb-89	Monsanto	C	Tomato
28-Nov-88	Rel	28-Mar-89	Iss	13-Mar-89	Rohm and	C	Tobacco
09-Dec-88	Rel	08-Apr-89	Iss	06-Apr-89	Calgene	C	Tomato
16-Dec-88	Rel	15-Apr-89	Iss	30-Mar-89	Calgene	C	Tomato
16-Dec-88	Rel	15-Apr-89	Iss	13-Apr-89	Agracetus	C	Cotton
20-Dec-88	Rel	19-Apr-89	Iss	27-Apr-89	Crop Geneti	C	Clavibacter
30-Jan-89	Rel	30-May-89	Iss	28-Apr-89	Monsanto	C	Tomato
30-Jan-89	Rel	30-May-89	Iss	03-May-89	Monsanto	C	Potato
30-Jan-89	Rel	30-May-89	Iss	26-Apr-89	Monsanto	C	Potato
03-Feb-89	Rel	03-Jun-89	Iss	03-May-89	Monsanto	C	Cotton
03-Feb-89	Rel	03-Jun-89	Iss	04-May-89	Monsanto	C	Soybean
03-Feb-89	Rel	03-Jun-89	Iss	08-May-89	Monsanto	C	Soybean
03-Feb-89	Rel	03-Jun-89	Iss	08-May-89	Monsanto	C	Soybean
07-Feb-89	Rel	07-Jun-89	Iss	30-Jun-89	Northrup Ki	C	Alfalfa
07-Feb-89	Rel	07-Jun-89	Iss	06-Jun-89	Northrup Ki	C	Alfalfa
16-Feb-89	Rel	16-Jun-89	Iss	26-Apr-89	Monsanto	C	Tomato
16-Feb-89	Rel	16-Jun-89	Iss	24-May-89	Calgene	C	Cotton
22-Feb-89	Rel	22-Jun-89	Iss	22-Jun-89	Crop Geneti	C	Clavibacter

Release Permits, 7 16-Apr-93				Listed by: Non Pending permits, date			
Received	R/C	Due	IWP	Issued	Institution	Com	Reg article
06-Mar-89	Rel	04-Jul-89	Iss	19-May-89	U of Kentuc	nC	Tobacco
14-Mar-89	Rel	12-Jul-89	Iss	30-Jun-89	Monsanto	C	Tomato
15-Mar-89	Rel	13-Jul-89	Iss	13-Jul-89	Calgene	C	Tobacco
07-Apr-89	Rel	05-Aug-89	Iss	30-Jun-89	Iowa State	nC	Tobacco
19-Apr-89	Rel	17-Aug-89	Iss	28-Jul-89	Iowa State	nC	Poplar
26-Apr-89	Rel	24-Aug-89	Iss	06-Jul-89	BioTechnica	C	Tobacco
16-May-89	Rel	13-Sep-89	Iss	11-Aug-89	Pioneer	C	Alfalfa
16-May-89	Rel	13-Sep-89	Iss	14-Aug-89	Calgene	C	Tobacco
30-May-89	Rel	27-Sep-89	Iss	11-Oct-89	Monsanto	C	Cotton
21-Jun-89	Rel	19-Oct-89	Iss	14-Aug-89	New York St	nC	Cucumber
11-Jul-89	Rel	08-Nov-89	Iss	10-Oct-89	Calgene	C	Cotton
27-Jul-89	Rel	24-Nov-89	Iss	21-Nov-89	Monsanto	C	Soybean
08-Aug-89	Rel	06-Dec-89	Iss	15-Feb-90	U of Califom	nC	Walnut
14-Sep-89	Rel	12-Jan-90	Iss	21-Feb-90	ARS	nC	Potato
05-Oct-89	Rel	02-Feb-90	Iss	23-Jan-90	Monsanto	C	Tomato
05-Oct-89	Rel	02-Feb-90	Iss	02-Feb-90	Monsanto	C	Tomato
17-Oct-89	Rel	14-Feb-90	Iss	16-Feb-90	Auburn U	nC	Xanthomonas
20-Oct-89	Rel	17-Feb-90	Iss	14-Feb-90	Monsanto	C	Tomato
27-Oct-89	Rel	24-Feb-90	Iss	21-Feb-90	Upjohn	C	Melon, Squash
01-Nov-89	Rel	01-Mar-90	Iss	01-Mar-90	Upjohn	C	Melon, Squash
01-Nov-89	Rel	01-Mar-90	Iss	01-Mar-90	Upjohn	C	Melon, Squash
07-Nov-89	Rel	07-Mar-90	Iss	01-Mar-90	Upjohn	C	Melon, Squash
16-Nov-89	Rel	16-Mar-90	Iss	12-Feb-90	Calgene	C	Tomato
22-Nov-89	Rel	22-Mar-90	Iss	21-Mar-90	Ciba-Geigy	C	Tobacco
05-Dec-89	Rel	04-Apr-90	Iss	05-Apr-90	Northrup KI	C	Cotton
28-Dec-89	Rel	27-Apr-90	Iss	19-Apr-90	Rohm and	C	Tobacco
16-Jan-90	Rel	16-May-90	Iss	09-May-90	Crop Geneti	C	Clavibacter
16-Jan-90	Rel	16-May-90	Iss	11-Apr-90	Calgene	C	Cotton
19-Jan-90	Rel	19-May-90	Iss	19-Mar-90	Calgene	C	Tomato
23-Jan-90	Rel	23-May-90	Iss	15-May-90	Monsanto	C	Cotton
25-Jan-90	Rel	25-May-90	Iss	16-Apr-90	Monsanto	C	Cotton
25-Jan-90	Rel	25-May-90	Iss	10-May-90	Monsanto	C	Cotton
29-Jan-90	Rel	29-May-90	Iss	31-May-90	Louisiana St	nC	Rice
31-Jan-90	Rel	31-May-90	Iss	23-May-90	ARS	nC	Potato
01-Feb-90	Rel	01-Jun-90	Iss	08-May-90	Monsanto	C	Potato
01-Feb-90	Rel	01-Jun-90	Iss	27-Apr-90	Monsanto	C	Cotton
01-Feb-90	Rel	01-Jun-90	Iss	19-Apr-90	Monsanto	C	Potato
02-Feb-90	Rel	02-Jun-90	Iss	31-May-90	BioTechnica	C	Corn
07-Feb-90	Rel	07-Jun-90	Iss	07-May-90	Monsanto	C	Tomato
07-Feb-90	Rel	07-Jun-90	Iss	15-May-90	Monsanto	C	Soybean
07-Feb-90	Rel	07-Jun-90	Iss	23-May-90	Monsanto	C	Soybean
07-Feb-90	Rel	07-Jun-90	Iss	09-May-90	Monsanto	C	Soybean
12-Feb-90	Rel	12-Jun-90	Iss	19-Apr-90	Upjohn	C	Tomato
13-Feb-90	Rel	13-Jun-90	Iss	11-May-90	Du Pont	C	Cotton
28-Feb-90	Rel	28-Jun-90	Iss	31-May-90	New York St	nC	Cucumber
06-Mar-90	Rel	04-Jul-90	Iss	06-Jul-90	Canners Se	C	Tomato
06-Mar-90	Rel	04-Jul-90	Iss	15-May-90	U of Kentuc	nC	Tobacco
07-Mar-90	Rel	05-Jul-90	Iss	09-May-90	Calgene	C	Tomato
12-Mar-90	Rel	10-Jul-90	Iss	21-Jun-90	U of Kentuc	nC	Tobacco
29-Mar-90	Rel	27-Jul-90	Iss	11-Jul-90	Upjohn	C	Melon, Squash
29-Mar-90	Rel	27-Jul-90	Iss	06-Jul-90	Upjohn	C	Melon, Squash
29-Mar-90	Rel	27-Jul-90	Iss	03-Jul-90	Upjohn	C	Melon, Squash
18-Apr-90	Rel	16-Aug-90	Iss	12-Sep-90	Calgene	C	Cotton
24-Apr-90	Rel	22-Aug-90	Iss	05-Jun-90	Pioneer	C	Alfalfa
01-May-90	Rel	29-Aug-90	Iss	05-Jul-90	Pennsylvania	nC	Rice
15-May-90	Rel	12-Sep-90	Iss	04-Sep-90	U of Wiscon	nC	Pseudomonas
15-May-90	Rel	12-Sep-90	Iss	15-Aug-90	Amoco	C	Tobacco
13-Jun-90	Ctsy	11-Oct-90	Iss	17-Jul-90	U of Wiscon	nC	N/A
26-Jun-90	Rel	24-Oct-90	Iss	20-Sep-90	Monsanto	C	Cotton
03-Jul-90	Rel	31-Oct-90	Iss	14-Sep-90	Monsanto	C	Soybean

Release Permits, 7 16-Apr-93				Listed by: Non Pending permits, date			
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06-Sep-90	Rel	04-Jan-91	Iss	16-Oct-90	Calgene	C	Tomato
01-Oct-90	Rel	29-Jan-91	Iss	15-Nov-90	Upjohn	C	Soybean
09-Oct-90	Rel	06-Feb-91	Iss	07-Jan-91	Monsanto	C	Potato
24-Oct-90	Rel	21-Feb-91	Iss	06-Mar-91	Calgene	C	Cotton
30-Oct-90	Rel	27-Feb-91	Iss	06-Mar-91	Calgene	C	Cotton
06-Nov-90	Rel	06-Mar-91	Iss	20-Mar-91	ARS	nC	Potato
06-Nov-90	Rel	06-Mar-91	Iss	28-Dec-90	Calgene	C	Tomato
07-Nov-90	Rel	07-Mar-91	Iss	12-Mar-91	Frito Lay	C	Potato
28-Nov-90	Rel	28-Mar-91	Iss	17-Apr-91	ARS	nC	Potato
28-Nov-90	Rel	28-Mar-91	Iss	12-Mar-91	DeKalb	C	Corn
28-Nov-90	Rel	28-Mar-91	Iss	06-Mar-91	DeKalb	C	Corn
29-Nov-90	Rel	29-Mar-91	Iss	02-Apr-91	Crop Geneti	C	Clavibacter
10-Dec-90	Rel	09-Apr-91	Iss	02-Apr-91	DNA Plant T	C	Tobacco
11-Dec-90	Rel	10-Apr-91	Iss	02-May-91	ARS	nC	Potato
11-Dec-90	Rel	10-Apr-91	Iss	02-May-91	Washington	nC	Potato
13-Dec-90	Rel	12-Apr-91	Iss	12-Apr-91	Monsanto	C	Cotton
13-Dec-90	Rel	12-Apr-91	Iss	09-Apr-91	North Carol	nC	Tobacco
17-Dec-90	Rel	16-Apr-91	Iss	15-Mar-91	ARS	nC	Walnut
17-Dec-90	Rel	16-Apr-91	Iss	18-Apr-91	Calgene	C	Potato
19-Dec-90	Rel	18-Apr-91	Iss	18-Apr-91	Ciba-Gelgy	C	Tobacco
26-Dec-90	Rel	25-Apr-91	Iss	24-Apr-91	ARS	nC	Potato
31-Dec-90	Rel	30-Apr-91	Iss	19-Mar-91	U of Califom	nC	Tomato
31-Dec-90	Rel	30-Apr-91	Iss	02-Apr-91	Upjohn	C	Melon, Squash
31-Dec-90	Rel	30-Apr-91	Iss	02-Apr-91	Upjohn	C	Melon, Squash
07-Jan-91	Rel	07-May-91	Iss	02-May-91	Monsanto	C	Cotton
07-Jan-91	Rel	07-May-91	Iss	26-Apr-91	Monsanto	C	Potato
07-Jan-91	Rel	07-May-91	Iss	03-May-91	ARS	nC	Potato
07-Jan-91	Rel	07-May-91	Iss	01-May-91	Biosource	C	TMV
11-Jan-91	Rel	11-May-91	Iss	30-May-91	Monsanto	C	Tomato
11-Jan-91	Rel	11-May-91	Iss	14-May-91	Monsanto	C	Potato
14-Jan-91	Rel	14-May-91	Iss	04-Jun-91	Rogers NK	C	Tomato
14-Jan-91	Rel	14-May-91	Iss	04-Jun-91	Rogers NK	C	Tomato
16-Jan-91	Rel	16-May-91	Iss	01-May-91	Du Pont	C	Tobacco
18-Jan-91	Rel	18-May-91	Iss	24-Apr-91	Monsanto	C	Soybean
18-Jan-91	Rel	18-May-91	Iss	02-Apr-91	Monsanto	C	Cotton
23-Jan-91	Ctsy	23-May-91	Iss	19-Apr-91	Auburn U	nC	Pseudomonas
24-Jan-91	Rel	24-May-91	Iss	14-May-91	Monsanto	C	Potato
24-Jan-91	Rel	24-May-91	Iss	31-May-91	ARS	nC	Potato
25-Jan-91	Rel	25-May-91	Iss	01-May-91	BioTechnica	C	Corn
25-Jan-91	Rel	25-May-91	Iss	01-May-91	Du Pont	C	Cotton
25-Jan-91	Rel	25-May-91	Iss	10-May-91	Ciba-Gelgy	C	Corn
25-Jan-91	Rel	25-May-91	Iss	21-May-91	Rohm and	C	Tobacco
30-Jan-91	Rel	30-May-91	Iss	10-May-91	Monsanto	C	Corn
30-Jan-91	Rel	30-May-91	Iss	17-May-91	Monsanto	C	Potato
04-Feb-91	Rel	04-Jun-91	Iss	10-May-91	Campbell	C	Tomato
04-Feb-91	Rel	04-Jun-91	Iss	19-Apr-91	Calgene	C	Cotton
08-Feb-91	Rel	08-Jun-91	Iss	22-May-91	ARS	nC	Potato
11-Feb-91	Rel	11-Jun-91	Iss	31-May-91	Agrigenetics	C	Rapeseed
11-Feb-91	Rel	11-Jun-91	Iss	26-Apr-91	Auburn U	nC	Xanthamonas
12-Feb-91	Rel	12-Jun-91	Iss	10-May-91	Louisiana St	nC	Rice
13-Feb-91	Rel	13-Jun-91	Iss	02-May-91	Campbell	C	Tomato
19-Feb-91	Rel	19-Jun-91	Iss	22-May-91	Calgene	C	Tomato
19-Feb-91	Rel	19-Jun-91	Iss	05-Jun-91	Monsanto	C	Potato
20-Feb-91	Rel	20-Jun-91	Iss	22-May-91	Monsanto	C	Soybean
20-Feb-91	Rel	20-Jun-91	Iss	30-May-91	Upjohn	C	Soybean
21-Feb-91	Rel	21-Jun-91	Iss	18-Jun-91	Montana St	nC	Potato
21-Feb-91	Rel	21-Jun-91	Iss	15-May-91	Pioneer	C	Corn
21-Feb-91	Rel	21-Jun-91	Iss	26-Apr-91	Pioneer	C	Alfalfa
21-Feb-91	Rel	21-Jun-91	Iss	24-Apr-91	Pioneer	C	Alfalfa
22-Feb-91	Rel	22-Jun-91	Iss	07-Jun-91	Upjohn	C	Tomato

Release Permits, 7 16-Apr-93				Listed by: Non Pending permits, date		
Received	R/C	Due	IWP	Issued	Institution	Com Reg article
08-Mar-91	Rel	06-Jul-91	Iss	10-Jun-91	Pioneer	C Sunflower
13-Mar-91	Rel	11-Jul-91	Iss	13-May-91	Garst	C Corn
15-Mar-91	Rel	13-Jul-91	Iss	05-Jun-91	Upjohn	C Corn
15-Mar-91	Rel	13-Jul-91	Iss	07-Jun-91	New York St	nC Cucumber
18-Mar-91	Rel	16-Jul-91	Iss	18-Jun-91	Harris Mora	C Melon
19-Mar-91	Rel	17-Jul-91	Iss	05-Jun-91	DNA Plant T	C Tomato
20-Mar-91	Rel	18-Jul-91	Iss	18-Jun-91	DNA Plant T	C Tomato
21-Mar-91	Rel	19-Jul-91	Iss	07-Jun-91	U of Wiscon	nC Alfalfa
04-Apr-91	Rel	02-Aug-91	Iss	25-Jun-91	Monsanto	C Potato
10-Apr-91	Rel	08-Aug-91	Iss	28-Jun-91	Ciba-Geigy	C Corn
12-Apr-91	Rel	10-Aug-91	Iss	03-Jun-91	U of Kentuc	nC Tobacco
15-Apr-91	Rel	13-Aug-91	Iss	27-Jun-91	Pioneer	C Corn
16-Apr-91	Rel	14-Aug-91	Iss	13-Aug-91	DNA Plant T	C Chrysanthemum
17-Apr-91	Rel	15-Aug-91	Iss	11-Jul-91	Calgene	C Tomato
17-Apr-91	Rel	15-Aug-91	Iss	18-Jun-91	Calgene	C Cotton
25-Apr-91	Rel	23-Aug-91	Iss	20-Jun-91	ARS	nC Tobacco
03-May-91	Rel	31-Aug-91	Iss	08-Jul-91	Amoco	C Tobacco
09-May-91	Rel	06-Sep-91	Iss	01-Jul-91	Holdens	C Corn
24-May-91	Rel	21-Sep-91	Iss	16-Sep-91	Monsanto	C Cotton
31-May-91	Rel	28-Sep-91	Iss	24-Sep-91	Monsanto	C Soybean
05-Jun-91	Rel	03-Oct-91	Iss	29-Aug-91	U of Florida	nC Tobacco
17-Jun-91	Rel	15-Oct-91	Iss	15-Oct-91	Calgene	C Rapeseed
16-Jul-91	Rel	13-Nov-91	Iss	24-Sep-91	Pioneer	C Corn
16-Jul-91	Rel	13-Nov-91	Iss	24-Sep-91	Pioneer	C Corn
22-Jul-91	Rel	19-Nov-91	Iss	04-Oct-91	Upjohn	C Soybean
24-Jul-91	Rel	21-Nov-91	Iss	22-Oct-91	Calgene	C Rapeseed
24-Jul-91	Rel	21-Nov-91	Iss	19-Nov-91	PetoSeed	C Tomato
06-Aug-91	Rel	04-Dec-91	Iss	04-Oct-91	Upjohn	C Corn
06-Aug-91	Rel	04-Dec-91	Iss	04-Nov-91	U of Califom	nC Apple
10-Sep-91	Rel	08-Jan-92	Iss	15-Jan-92	U of Hawaii/	nC Papaya
25-Sep-91	Rel	23-Jan-92	Iss	17-Dec-91	Calgene	C Tomato
25-Sep-91	Rel	23-Jan-92	Iss	30-Dec-91	Ciba-Geigy	C Tobacco
21-Oct-91	Rel	18-Feb-92	Iss	04-Dec-91	Frito-Lay	C Potato
22-Oct-91	Rel	19-Feb-92	Iss	04-Feb-92	Holdens	C Corn
28-Oct-91	Rel	25-Feb-92	Iss	03-Feb-92	Frito-Lay	C Potato
29-Oct-91	Rel	26-Feb-92	Iss	14-Feb-92	Frito-Lay	C Potato
29-Oct-91	Rel	26-Feb-92	Iss	23-Dec-91	Cargill	C Corn
30-Oct-91	Rel	27-Feb-92	Iss	03-Mar-92	Frito-Lay	C Potato
13-Nov-91	Rel	12-Mar-92	Iss	22-Jan-92	DeKalb	C Corn
18-Nov-91	Rel	17-Mar-92	Iss	04-Feb-92	North Caroli	nC Tobacco
20-Nov-91	Rel	19-Mar-92	Iss	28-Feb-92	Frito-Lay	C Potato
20-Nov-91	Rel	19-Mar-92	Iss	19-Mar-92	Frito-Lay	C Potato
22-Nov-91	Rel	21-Mar-92	Iss	07-Feb-92	Monsanto	C Tomato
22-Nov-91	Rel	21-Mar-92	Iss	19-Mar-92	Frito-Lay	C Potato
22-Nov-91	Rel	21-Mar-92	Iss	13-Mar-92	Monsanto	C Tomato
25-Nov-91	Rel	24-Mar-92	Iss	06-Mar-92	Calgene	C Cotton
25-Nov-91	Rel	24-Mar-92	Iss	06-Mar-92	Calgene	C Cotton
25-Nov-91	Rel	24-Mar-92	Iss	20-Mar-92	Calgene	C Cotton
25-Nov-91	Rel	24-Mar-92	Iss	06-Mar-92	Calgene	C Cotton
29-Nov-91	Rel	28-Mar-92	Iss	14-Jan-92	Calgene	C Cotton
29-Nov-91	Rel	28-Mar-92	Iss	20-Apr-92	Calgene	C Cotton
09-Dec-91	Rel	07-Apr-92	Iss	06-Apr-92	Crop Geneti	C Clavibacter
09-Dec-91	Rel	07-Apr-92	Iss	06-Apr-92	Pioneer	C Alfalfa
12-Dec-91	Rel	10-Apr-92	Iss	16-Apr-92	Calgene	C Rapeseed
12-Dec-91	Rel	10-Apr-92	Iss	07-Feb-92	Pioneer	C Soybean
13-Dec-91	Rel	11-Apr-92	Iss	14-Apr-92	Monsanto	C Cotton
13-Dec-91	Rel	11-Apr-92	Iss	15-Apr-92	Monsanto	C Cotton
13-Dec-91	Rel	11-Apr-92	Iss	14-Apr-92	Monsanto	C Cotton
16-Dec-91	Rel	14-Apr-92	Iss	20-Apr-92	U of Idaho	nC Potato
18-Dec-91	Rel	16-Apr-92	Iss	13-Apr-92	Calgene	C Rapeseed

Release Permits, 7 16-Apr-93				Listed by: Non Pending permits, date			
Received	R/C	Due	IWP	Issued	Institution	Com	Reg article
18-Dec-91	Rel	16-Apr-92	Iss	15-Apr-92	Pioneer	C	Alfalfa
18-Dec-91	Rel	16-Apr-92	Iss	17-Mar-92	Frito-Lay	C	Potato
18-Dec-91	Rel	16-Apr-92	Iss	27-Apr-92	Frito-Lay	C	Potato
19-Dec-91	Rel	17-Apr-92	Iss	17-Apr-92	DNA Plant T	C	Tobacco
19-Dec-91	Rel	17-Apr-92	Iss	06-Mar-92	U of Californ	nC	Tomato
23-Dec-91	Rel	21-Apr-92	Iss	17-Apr-92	Calgene	C	Cotton
23-Dec-91	Rel	21-Apr-92	Iss	15-Apr-92	Calgene	C	Potato
24-Dec-91	Rel	22-Apr-92	Iss	21-Apr-92	Du Pont	C	Cotton
24-Dec-91	Rel	22-Apr-92	Iss	06-Mar-92	Applied Star	C	Potato
27-Dec-91	Rel	25-Apr-92	Iss	20-Apr-92	Monsanto	C	Potato
30-Dec-91	Rel	28-Apr-92	Iss	05-May-92	Dow	C	Sorbus sp
01-Jan-92	Rel	30-Apr-92	Iss	29-Apr-92	Monsanto	C	Potato
01-Jan-92	Rel	30-Apr-92	Iss	29-Apr-92	Monsanto	C	Potato
01-Jan-92	Rel	30-Apr-92	Iss	16-Apr-92	Pioneer	C	Corn
01-Jan-92	Rel	30-Apr-92	Iss	30-Apr-92	Pioneer	C	Corn
01-Jan-92	Rel	30-Apr-92	Iss	05-May-92	Pioneer	C	Corn
07-Jan-92	Rel	06-May-92	Iss	29-Apr-92	Monsanto	C	Soybean
07-Jan-92	Rel	06-May-92	Iss	06-May-92	Monsanto	C	Soybean
07-Jan-92	Rel	06-May-92	Iss	06-May-92	Monsanto	C	Soybean
10-Jan-92	Rel	09-May-92	Iss	31-Mar-92	Louisiana St	nC	Rice
14-Jan-92	Rel	13-May-92	Iss	29-Apr-92	North Caroli	nC	Tobacco
15-Jan-92	Rel	14-May-92	Iss	11-May-92	Monsanto	C	Soybean
15-Jan-92	Rel	14-May-92	Iss	30-Apr-92	Monsanto	C	Soybean
15-Jan-92	Rel	14-May-92	Iss	24-Apr-92	Monsanto	C	Soybean
15-Jan-92	Rel	14-May-92	Iss	14-May-92	Monsanto	C	Soybean
15-Jan-92	Rel	14-May-92	Iss	05-May-92	Monsanto	C	Soybean
16-Jan-92	Rel	15-May-92	Iss	14-May-92	ARS	nC	Potato
17-Jan-92	Rel	16-May-92	Iss	11-May-92	InterMountai	C	Rapeseed
17-Jan-92	Rel	16-May-92	Iss	14-May-92	Northrup Ki	C	Corn
17-Jan-92	Rel	16-May-92	Iss	14-May-92	Northrup Ki	C	Corn
17-Jan-92	Rel	16-May-92	Iss	15-May-92	Holdens	C	Corn
21-Jan-92	Rel	20-May-92	Iss	22-May-92	ARS	nC	Potato
22-Jan-92	Rel	21-May-92	Iss	21-May-92	Pioneer	C	Soybean
22-Jan-92	Rel	21-May-92	Iss	01-Apr-92	Pioneer	C	Corn
22-Jan-92	Rel	21-May-92	Iss	04-May-92	Pioneer	C	Corn
22-Jan-92	Rel	21-May-92	Iss	21-May-92	Calgene	C	Tomato
27-Jan-92	Rel	26-May-92	Iss	09-Apr-92	Upjohn	C	Melon, Squash
27-Jan-92	Rel	26-May-92	Iss	09-Apr-92	Upjohn	C	Melon, Squash
28-Jan-92	Rel	27-May-92	Iss	27-May-92	Purdue U	nC	Tomato
03-Feb-92	Rel	02-Jun-92	Iss	27-Apr-92	DeKalb	C	Corn
03-Feb-92	Rel	02-Jun-92	Iss	12-May-92	ARS	nC	Potato
03-Feb-92	Rel	02-Jun-92	Iss	14-May-92	Heinz	C	Tomato
04-Feb-92	Rel	03-Jun-92	Iss	07-May-92	Rogers NK	C	Tomato
04-Feb-92	Rel	03-Jun-92	Iss	24-Apr-92	Campbell	C	Tomato
04-Feb-92	Rel	03-Jun-92	Iss	04-May-92	DNA Plant T	C	Tomato
05-Feb-92	Rel	04-Jun-92	Iss	26-May-92	Washington	nC	Potato
06-Feb-92	Rel	05-Jun-92	Iss	14-May-92	Monsanto	C	Tomato
06-Feb-92	Rel	05-Jun-92	Iss	03-Jun-92	Monsanto	C	Soybean
06-Feb-92	Rel	05-Jun-92	Iss	19-May-92	Monsanto	C	Soybean
06-Feb-92	Rel	05-Jun-92	Iss	19-May-92	Monsanto	C	Corn
06-Feb-92	Rel	05-Jun-92	Iss	01-May-92	Monsanto	C	Soybean
06-Feb-92	Rel	05-Jun-92	Iss	21-May-92	Monsanto	C	Soybean
06-Feb-92	Rel	05-Jun-92	Iss	18-May-92	Upjohn	C	Melon, Squash
10-Feb-92	Rel	09-Jun-92	Iss	05-May-92	Monsanto	C	Soybean
10-Feb-92	Rel	09-Jun-92	Iss	21-May-92	Northrup Ki	C	Alfalfa
11-Feb-92	Rel	10-Jun-92	Iss	27-May-92	Ciba-Gelgy	C	Corn
11-Feb-92	Rel	10-Jun-92	Iss	29-Apr-92	Pioneer	C	Sunflower
12-Feb-92	Rel	11-Jun-92	Iss	05-Jun-92	Hoechst-Ro	C	Corn
12-Feb-92	Rel	11-Jun-92	Iss	22-May-92	Upjohn	C	Soybean
12-Feb-92	Rel	11-Jun-92	Iss	21-May-92	Upjohn	C	Soybean

Release Permits, 7			Listed by: Non Pending permits, date			
Received	R/C	Due	IWP	Issued	Institution	Com Reg article
14-Feb-92	Rel	13-Jun-92	Iss	12-May-92	ARS	nC Potato
14-Feb-92	Rel	13-Jun-92	Iss	12-May-92	ARS	nC Potato
18-Feb-92	Rel	17-Jun-92	Iss	21-May-92	Monsanto	C Tomato
18-Feb-92	Rel	17-Jun-92	Iss	05-Jun-92	InterMountai	C Rapeseed
18-Feb-92	Rel	17-Jun-92	Iss	15-Apr-92	PetoSeed	C Tometo
18-Feb-92	Rel	17-Jun-92	Iss	14-May-92	DeKalb	C Corn
18-Feb-92	Rel	17-Jun-92	Iss	29-Apr-92	Upjohn	C Corn
21-Feb-92	Rel	20-Jun-92	Iss	20-May-92	U of Arizona	nC Tobacco
24-Feb-92	Rel	23-Jun-92	Iss	20-May-92	Monsanto	C Soybean
25-Feb-92	Rel	24-Jun-92	Iss	29-May-92	ICI	C Corn
02-Mar-92	Rel	30-Jun-92	Iss	05-Jun-92	Campbell	C Tomato
05-Mar-92	Rel	03-Jul-92	Iss	15-May-92	ARS	nC Potato
06-Mar-92	Rel	04-Jul-92	Iss	04-Jun-92	Holdens	C Corn
13-Mar-92	Rel	11-Jul-92	Iss	30-Jun-92	American C	C Tobacco
13-Mar-92	Rel	11-Jul-92	Iss	14-May-92	Monsanto	C Soybean
13-Mar-92	Rel	11-Jul-92	Iss	14-May-92	Monsanto	C Soybean
16-Mar-92	Rel	14-Jul-92	Iss	01-Jun-92	Monsanto	C Tomato
16-Mar-92	Rel	14-Jul-92	Iss	18-Jun-92	New York St	nC Melon, Squash, Tom
17-Mar-92	Rel	15-Jul-92	Iss	01-Jun-92	Pioneer	C Corn
20-Mar-92	Rel	18-Jul-92	Iss	04-May-92	U of Idaho	nC Potato
20-Mar-92	Rel	18-Jul-92	Iss	04-May-92	Harris Mora	C Melon
20-Mar-92	Rel	18-Jul-92	Iss	22-May-92	Montana St	nC Potato
20-Mar-92	Rel	18-Jul-92	Iss	03-Jun-92	Upjohn	C Corn
20-Mar-92	Rel	18-Jul-92	Iss	22-May-92	Cargill	C Corn
24-Mar-92	Rel	22-Jul-92	Iss	05-Jun-92	ARS	nC Potato
25-Mar-92	Rel	23-Jul-92	Iss	12-Jun-92	Agritope	C Tomato
30-Mar-92	Rel	28-Jul-92	Iss	01-Jun-92	Upjohn	C Soybean
30-Mar-92	Rel	28-Jul-92	Iss	29-May-92	Monsanto	C Potato
30-Mar-92	Rel	28-Jul-92	Iss	10-Jun-92	Monsanto	C Tometo
06-Apr-92	Rel	04-Aug-92	Iss	05-Jun-92	Stine Seeds	C Soybean
14-Apr-92	Rel	12-Aug-92	Iss	09-Jun-92	Calgene	C Cotton
14-Apr-92	Rel	12-Aug-92	Iss	18-Jun-92	Holdens	C Corn
15-Apr-92	Rel	13-Aug-92	Iss	25-Jun-92	Calgene	C Cotton
17-Apr-92	Rel	15-Aug-92	Iss	09-Jun-92	Monsanto	C Soybean
22-Apr-92	Rel	20-Aug-92	Iss	09-Jun-92	U of Wiscon	nC Pseudomonas
06-May-92	Rel	03-Sep-92	Iss	01-Sep-92	Ciba-Geigy	C Corn
12-May-92	Rel	09-Sep-92	Iss	11-Jun-92	Amoco	C Tobacco
19-May-92	Rel	16-Sep-92	Iss	11-Sep-92	Ciba-Geigy	C Corn
04-Jun-92	Rel	02-Oct-92	Iss	23-Sep-92	Calgene	C Rapeseed
11-Jun-92	Rel	09-Oct-92	Iss	08-Jul-92	Calgene	C Rapeseed
12-Jun-92	Rel	10-Oct-92	Iss	10-Aug-92	DeKalb	C Corn
12-Jun-92	Rel	10-Oct-92	Iss	30-Jul-92	MSU	nC Melon
17-Jun-92	Rel	15-Oct-92	Iss	29-Sep-92	DeKalb	C Corn
17-Jun-92	Rel	15-Oct-92	Iss	13-Oct-92	Northrup Ki	C Corn
22-Jun-92	Rel	20-Oct-92	Iss	21-Jul-92	Pioneer	C Soybean
22-Jun-92	Rel	20-Oct-92	Iss	03-Nov-92	Pioneer	C Corn
23-Jun-92	Rel	21-Oct-92	Iss	28-Aug-92	Upjohn	C Corn
24-Jun-92	Rel	22-Oct-92	Iss	28-Sep-92	Monsanto	C Tomato
30-Jun-92	Rel	28-Oct-92	Iss	02-Oct-92	Upjohn	C Soybean
01-Jul-92	Rel	29-Oct-92	Iss	10-Oct-92	Noble Foun	nC Alfalfa
09-Jul-92	Rel	06-Nov-92	Iss	09-Nov-92	ARS	nC Plum
21-Jul-92	Rel	18-Nov-92	Iss	16-Oct-92	Pioneer	C Soybean
27-Jul-92	Rel	24-Nov-92	Iss	21-Oct-92	Pioneer	C Corn
27-Jul-92	Rel	24-Nov-92	Iss	02-Nov-92	Monsanto	C Corn
27-Jul-92	Rel	24-Nov-92	Iss	17-Nov-92	Monsanto	C Corn
30-Jul-92	Rel	27-Nov-92	Iss	16-Nov-92	Pioneer	C Corn
05-Aug-92	Rel	03-Dec-92	Iss	31-Aug-92	Auburn U	nC Xanthamonas
06-Aug-92	Rel	04-Dec-92	Iss	31-Aug-92	Calgene	C Tomato
17-Aug-92	Rel	15-Dec-92	Iss	10-Nov-92	Pioneer	C Soybean
19-Aug-92	Rel	17-Dec-92	Iss	17-Dec-92	Monsanto	C Corn

Release Permits, 7 16-Apr-93				Listed by: Non Pending permits,date			
Received	R/C	Due	IWP	Issued	Institution	Com	Reg article
31-Aug-92	Rel	29-Dec-92			Calgene	C	Rapeseed
31-Aug-92	Rel	29-Dec-92	Iss	08-Oct-92	Holdens	C	Corn
31-Aug-92	Rel	29-Dec-92	Iss	21-Oct-92	Holdens	C	Corn
01-Sep-92	Rel	30-Dec-92	Iss	21-Oct-92	AgriPro	C	Soybean
01-Sep-92	Rel	30-Dec-92	Iss	21-Oct-92	Cargill	C	Corn
10-Sep-92	Ctsy	08-Jan-93			PetoSeed	C	Tomato
11-Sep-92	Rel	09-Jan-93	Iss	23-Nov-92	ICI	C	Corn
15-Sep-92	Rel	13-Jan-93	Iss	04-Dec-92	Northrup KI	C	Soybean
16-Sep-92	Rel	14-Jan-93	Iss	08-Jan-93	Rogers NK	C	Petunia
16-Sep-92	Rel	14-Jan-93	Iss	19-Nov-92	Monsanto	C	Soybean
17-Sep-92	Rel	15-Jan-93	Iss	20-Nov-92	Monsanto	C	Soybean
17-Sep-92	Rel	15-Jan-93	With	29-Sep-92	Monsanto	C	Corn
18-Sep-92	Rel	16-Jan-93	Iss	02-Nov-92	Monsanto	C	Corn
18-Sep-92	Rel	16-Jan-93	Iss	23-Nov-92	Monsanto	C	Potato
21-Sep-92	Rel	19-Jan-93	Iss	02-Nov-92	Monsanto	C	Corn
21-Sep-92	Rel	19-Jan-93	Iss	04-Dec-92	Monsanto	C	Corn
23-Sep-92	Rel	21-Jan-93	With	08-Oct-92	Monsanto	C	Tomato
05-Oct-92	Rel	02-Feb-93	Iss	03-Feb-92	Monsanto	C	Tomato
27-Oct-92	Rel	24-Feb-93	Iss	12-Feb-93	DNA Plant T	C	Tomato
11-Nov-92	Rel	11-Mar-93	Iss	07-Dec-92	Upjohn	C	Soybean
13-Nov-92	Rel	13-Mar-93	With	17-Dec-92	Pioneer	C	Soybean
13-Nov-92	Rel	13-Mar-93	With	23-Nov-92	Connecticut	nC	Chestnut
17-Nov-92	Rel	17-Mar-93	Iss	09-Feb-93	Pioneer	C	Alfalfa
25-Nov-92	Rel	25-Mar-93	Iss	02-Mar-93	North Carol	nC	Tobacco
08-Dec-92	Rel	07-Apr-93	Iss	12-Feb-93	Calgene	C	Tomato
14-Dec-92	Rel	13-Apr-93	Iss	02-Mar-93	Frito-Lay	C	Potato
14-Dec-92	Rel	13-Apr-93	Iss	11-Feb-93	Frito-Lay	C	Potato
14-Dec-92	Rel	13-Apr-93	Iss	02-Mar-93	Frito-Lay	C	Potato
14-Dec-92	Rel	13-Apr-93	Iss	09-Feb-93	Frito-Lay	C	Potato
15-Dec-92	Rel	14-Apr-93	Iss	16-Mar-93	Monsanto	C	Soybean
17-Dec-92	Rel	16-Apr-93	Iss	27-Jan-93	PetoSeed	C	Tomato
28-Dec-92	Rel	27-Apr-93	Iss	10-Feb-93	Calgene	C	Rapeseed
28-Dec-92	Rel	27-Apr-93	Iss	18-Mar-93	Calgene	C	Cotton
12-Jan-93	Rel	12-May-93	Iss	02-Mar-93	Monsanto	C	Soybean

INTEGRATED SYSTEMS ACQUISITION PROJECT

Mr. DURBIN. What is the status of your Integrated Systems Acquisition Project? Please provide details as to current acquisition, funding on hand, and anticipated life cost of the program.

Dr. KING. In FY 1992 APHIS formally established the Office of the Trail Boss—(OTB). This is the project office for ISAP and follows the organizational structure detailed by the General Services Administration, and USDA's Parallel Review Process for major information resource management acquisitions. OTB achieved several major milestones in FY 1992 including obtaining clearances from GSA, OMB, and USDA to proceed with the acquisition process; establishing internal infrastructures for ISAP management; issuing a draft Request for Proposals; and initiating two major transition activities which will help prepare the agency to implement ISAP.

On January 28, 1993, the Agency released the ISAP Request for Proposals. The proposals will be submitted on June 15, 1993. Contract award is expected for March of 1994, at which point, the delivery and implementation of ISAP will begin. The Agency has begun the development of a communication network and network management plan that will be used prior to, during, and after ISAP. This step is necessary to operate the geographically distributed databases in APHIS.

The estimated cost of the program to achieve full implementation is \$251 million. This projection is based on current General Services Administration pricing schedules. The ISAP implementation plan presents a flexible scheme for APHIS to outfit its program areas based on priority and available funding. The ISAP flexibility will provide USDA with a model that can be adapted to satisfy the automation needs of most Department agencies.

Approximately \$3.9 million is available for the ISAP project in FY 1993. This amount includes a carryover of \$1.4 million from FY 1992, in addition to the FY 1993 appropriation of \$2.5 million. APHIS will expend these funds for the procurement process mandated by the Federal Acquisition Regulations. Any unobligated funds will be carried over into FY 1994. As of January 31, 1993, \$1.3 million has been obligated.

FIELD OFFICE STRUCTURE/COMPUTER ACQUISITIONS

Mr. DURBIN. As you know, the Department of Agriculture is undergoing a significant review of the field offices and that Secretary Madigan halted major computer purchases while the Department decided what to do with the field office structure. Is APHIS reviewing field office structure and have you halted your computer acquisitions?

Dr. KING. In FY 1992, APHIS participated in the USDA/OMB Field Structure Review project. Using criteria and methodology developed by the Farm Service agencies, APHIS analyzed its field structure. Recently, the Agency modified the analytical criteria to reflect factors unique to its mission. As a result of this revised analysis, 106 field offices or 24 percent of APHIS' target offices, have been identified for further review.

In FY 1992, APHIS also conducted an internal review of domestic field office structures and identified possible collocations. We developed APHIS' Collocation Policy which establishes general guidelines and criteria for collocating domestic field offices. The Agency is awaiting Department approval.

A team of Agency representatives is currently working to develop recommendations for consolidating administrative support structures and functions at collocated regional offices. Another group is developing implementation guidelines for collocation issues. These guidelines are needed to ensure that office collocations are implemented fairly and consistently across the regions and programs, cause minimum disruption to APHIS personnel, and achieve desired cost savings.

We are aware of former Secretary Madigan's decision to delay major computer purchases and have no plans for major computer purchases until the Integrated Systems Acquisition Project (ISAP) is implemented in FY 1994.

CONTINGENCY FUND

Mr. DURBIN. What is the status of the APHIS Contingency Fund?

Dr. KING. I will provide a table for the record.

[The information follows:]

Status of APHIS Contingency Fund

[Dollars in thousands]

FY 1992 Carryover	\$2,930
FY 1993 Appropriation.....	5,000
Total available in FY 1993.....	7,930
FY 1992 Carryover approved releases:	
Scrapie.....	1,920
Salmonella enteritidis.....	166
Total, FY 1992 carryover approved releases:	(2,086)
FY 1993 ¹ Approved releases:	
Tuberculosis.....	649
Potato virus Y	811
Gypsy moth.....	788
Pine shoot beetle.....	686
Chrysanthemum white rust.....	435
Screwworm.....	1,695
Total, FY 1993 approved releases	(5,064)
Current availability	780

Mr. DURBIN. Please provide a listing of all funding expenditures from the contingency fund for fiscal years 1991, 1992, and so far in 1993.

Dr. KING. I will provide the information for the record.

[The information follows:]

FY 1993 CONTINGENCY FUND

(Dollars in thousand)

Program	FY 1991 actual obligations	FY 1992 actual obligations	FY 1993 ¹ approved releases
Bovine spongiform encephalopathy.....	\$487		
Chrysanthemum white rust	154		\$435
Exotic newcastle disease	189		
Gypsy moth.....	516	\$580	788
Pine shoot beetle			686
Potato virus Y.....	452	1,311	811
Salmonella enteritidis		2,640	
Scrapie ²			
Screwworm		825	1,695
Sweetpotato whitefly.....		297	
Tuberculosis	1,202		649
Total	3,000	5,653	5,064

¹ FY 1993 approved releases as of March 1993.² \$2.1 approved in FY 1992.

AIRCRAFT

Mr. DURBIN. For the record, please list all the aircraft in the APHIS inventory, by type, and include the number of hours flown during fiscal years 1991 and 1992.

Dr. KING. The requested list is provided for the record.

[The information follows:]

ID number	Make	Year	Type	Hours flown	
				FY 1991	FY 1992
N731EQ	Cessna	1977	A188B.....	131	278
N9664K	Cessna	1983	A188B.....	141	124
N9486G	Cessna	1971	U206E.....	39	86
N9935R	Cessna	1986	U206G.....	41	166
N9583M	Cessna	1978	U206G.....	141	52
N5411X	Cessna	1980	U206G.....	75	97
N25696	Beechcraft	1973	95-B55	52	220
N6810S	Beechcraft	1976	58	35	293
N726	Piper	1982	PA-18.....	0	0
N734	Arctic T.....	1984	S1-B2.....	482	424
N742	Piper	1964	PA-18.....	504	122
N744	Piper	1983	PA-18.....	529	558
N746	Piper	1964	PA-18.....	253	217
N751	Piper	1978	PA-18.....	411	613
N752	Piper	1975	PA-18.....	440	541
N796	Hughes.....	1979	269C.....	545	610
N1099N	Hughes.....	1980	269C.....	549	668
C337G	Cessna	1977	A188B.....	7	45
N72306	Cessna	1969	U206D.....	50	39
TC1603	Beechcraft	1973	B55.....	0	0

Mr. DURBIN. For the record, how many aircraft and which types have you purchased in each of the past five years?

Dr. KING. The requested information will be submitted for the record.

[The information follows:]

Year purchased	Make	ID number	Model	Year
1989.....	Cessna	N5411X.....	U206.....	1980
1989.....	Cessna	N9583M.....	U206.....	1978

SCRAPIE

Mr. DURBIN. What is the status of the scrapie control program? What resources are being expended?

Dr. KING. Scrapie continues to cause significant financial losses to sheep producers across the country. In FY 1992, 67 flocks were diagnosed positive with one or more cases per flock. This is an increase of 15 from FY 1991. Of these 67 flocks, 11 had cases in previous years, as opposed to 9 in FY 1991, and 56 were new flocks with positive case, compared to 43 in FY 1991.

APHIS has made slightly over \$2 million in contingency funds available in 1992 and carried forward into FY 1993 for depopulation and indemnity activities. So far, we have approved indemnity requests for 26 flocks at a total cost of approximately \$350,000.

In FY 1991, we spent \$1,096,689 on the scrapie control program. In FY 1992, we spent \$954,682 and in FY 1993, we expect to spend approximately \$846,000.

Mr. DURBIN. For the record, please provide a table showing the expenditures for the scrapie program broken out by indemnity, research, and other for the past three years.

research, and other for the past three years.

Dr. KING. The requested table is provided for the record.
[The information follows:]

Activity	FY 1990	FY 1991	FY 1992	Total
Indemnity	\$370,000	\$62,691'	\$68,995	\$501,686
Research	586,443	774,719	542,357	1,903,519
Other	244,246	259,279	343,330	846,855
Total.....	1,200,689	1,096,689	954,682	3,252,060

Mr. DURBIN. What is the status of the Scrapie Voluntary Flock Certification Program?

Dr. KING. The Voluntary Scrapie Flock Certification program took effect on October 1, 1992. The program calls for the gradual development of flocks that are certified to be scrapie free and represents a first step toward eradicating scrapie from the United States. The program's intent is to monitor participating flocks for 5 years or more and identify flocks free of scrapie. The program contains provisions to prevent the disease's introduction into scrapie-free flocks. There are requirements for animals added to participating flocks, animal identification, submission of diagnostic specimens, and record keeping. It also requires that certain actions be taken upon an animal's death to ensure that it is examined if it shows any signs of being infected with scrapie. This is the first scrapie control program that has had the input and support of such a broad cross section of industries. It was developed through the negotiated rulemaking process involving the sheep industry, allied industries, State animal health officials, APHIS, and other interest-

ed parties. Since October, approximately 20 flocks have been enrolled in the program.

BUILDINGS AND FACILITIES

Mr. DURBIN. Does APHIS have a backlog of building and maintenance problems at its facilities? For the record, please provide a list of maintenance backlog work.

Dr. KING. The requested information is provided for the record. [The information follows:]

Project and Location

Convert: electrical heat to propane, Rock Tavern, NY.

Repair: roof, Beltsville, MD, screening of quarantine building, Beltsville, MD, incinerators, Brownsville, TX, supply depot, Pocatello, ID, roof, Phoenix, AZ, lab roof, Mission, TX, floor, Otay Mesa, CA, air conditioning system, Gulfport, MS, ductwork insulation, Ames, IA.

Replace: water pipes, Pocatello, ID, irradiation source, Metapa, MX, underground storage tanks, Niles, MI, roof, Ames, IA, water tower, Mission, TX, transformers, Mission, TX, incinerator, Haiku Valley, HI, incinerators, Rock Tavern, NY, boiler, Pocatello, ID, grain cleaner, Pocatello, ID, sewer line, Gulfport, MS, roof, Gainesville, FL, roof, Otis, MA, outside doors, Miami, FL, incinerators, Rock Tavern, NY, roof, Mission, TX.

Install: lab equipment, Hoboken, NJ, standby generators, Ames, IA, storm windows, Pocatello, ID, fumigation chamber, Gulfport, MS, chiller system, Mission, TX, acoustical barriers, Waimanalo, HI, hazardous storage container, Waimanalo, HI, waste water treatment equipment, Niles, MI, switchgear, Ames, IA, power sprays, Waimanalo, HI, backup generator, Beltsville, MD, cattle head catch, Rock Tavern, NY, ramp driveway, Key West, FL, fume hood, Gulfport, MS, double screen windows, Ames, IA.

Renovate: main water supply, Mission, TX, greenhouses, Mission, TX, Scrapie building, Mission, TX, work station attached to greenhouse, Beltsville, Md, building S6411/S6412, Mission, TX, building, Rock Springs, WY.

Upgrade: ventilation system, Pocatello, ID, coyote kennels, Millville, UT, communications system, Beltsville, MD.

Miscellaneous: relocate incinerator, Ames, IA, water line extension, Millville, UT, ceiling and flooring, Niles, MI, modify air conditioning system, Beltsville, MD, remove carbon columns, Key West, FL, regrade/surface truck area, Sweetgrass, MT, fencing, Haiku Valley, HI, rebuild Mt. Beaver pens, Olympia, WA.

POTATO VIRUS Y

Mr. DURBIN. What work is being carried out by APHIS with regard to the potato virus Y?

Dr. KING. APHIS had planned to conduct surveys in all 28 States with certified seed potato production programs and 6 tobacco producing States to determine if PVY-N is present. However, in response to recent information linking an infestation of PVY-N in Florida with seed potatoes produced in Canada, we are conducting intensive delimiting surveys in Florida and detection surveys in California and Maine. Additional surveys will be conducted in areas where potatoes at risk of introducing PVY-N from Canada have been planted.

Mr. DURBIN. How much is being spent on this activity and where?

Dr. KING. APHIS is using \$811,000 in contingency funds in FY 1993 to conduct these surveys.

TUBERCULOSIS

Mr. DURBIN. Last year, Congress provided additional funds to begin work with tuberculosis problems related to elk and deer. What is the status of this project for fiscal year 1993? Where are the funds being expended? How much is going towards each activity?

Dr. KING. Tuberculosis—TB—infected cattle in New York and Pennsylvania were linked to deer herds. As a result, in FY 1993, the agency is testing, tracing, and removing reactor animals from these herds.

APHIS drafted a cervid tuberculosis addendum to the Bovine Tuberculosis Eradication Uniform Methods and Rules which was approved by the Tuberculosis Committee of the United States Animal Health Association. The addendum provides for cervid herd accreditation procedures and official testing and follow-up procedures, and calls for authority to regulate interstate movement of cervidae. APHIS has recommended these steps as guidelines for States to follow while new regulations are being drafted. We are expecting that the proposed regulations could be in place by July 1993.

In addition, APHIS is collaborating with Canada on evaluating the Blood Tuberculin (BTB) test, a new test for tuberculosis in cervidae. The BTB test is patented by New Zealand researchers, costs \$100 per test and is favored by producers in many countries. We expect results of our evaluation in June 1993.

The funds are being expended in New York and Pennsylvania; headquarters and support activities in Maryland, Minnesota, Washington, D.C.; and in field units throughout the country.

Approximately \$113,000 is for testing, tracing and removal of reactor animals; \$169,000 is for the development of the proposed rule change; and \$322,000 is for individual training of private practitioners in cervidae testing, for advisory services, and for other support as required by individual States.

Mr. DURBIN. The National Academy of Sciences is scheduled to issue a report focusing on the increases in bovine tuberculosis in the U.S. attributable to increased cattle imports from Mexico. Because of the concern over the NAFTA agreement, how involved is APHIS in this report? When can the Committee expect to see copies of the NAS report?

Dr. KING. APHIS has provided information to the National Academy of Sciences—NAS—that focused on three major problem areas including tuberculosis in steers imported from Mexico; tuberculosis in captive cervidae; and tuberculosis in large dairy herds. APHIS has been providing information, status reports, and narrative data to NAS since March 1992. In addition, NAS has met with State veterinarians, Area Veterinarians in Charge for the States of Texas, New Mexico, California, and Arizona, and with personnel at the ports-of-entry in these same States. The NAS report is scheduled to be available in July 1993.

Mr. DURBIN. Of all the confirmed cases of TB in cattle in the past year, what percentage has been traced back to Mexico?

Dr. KING. During FY 1992, 4,162 suspicious samples were collected at slaughter. Of these samples, 613 tested positive for tuberculo-

sis. Investigations have been completed on 535 of the 613 cases; and, 81 percent (436 cases) were traced to Mexico.

Exposure potential from Mexican cattle with tuberculosis exists in pastures, in feedlots, and on the rodeo circuit. The threat of bovine tuberculosis from cattle in Mexico must be eliminated. The most effective approach would be the implementation of a joint Mexico-United States initiative for the eradication of bovine tuberculosis from both countries. Mexico is currently taking steps to improve its control and eradication efforts. APHIS provides training, technical support, and surplus GSA laboratory equipment to help achieve that goal. In the meantime, APHIS is considering additional testing requirements that will reduce the possibility of infected Mexican cattle exposing U.S. cattle herds to the disease.

Mr. DURBIN. What are the potential losses to the U.S. cattle industry from TB outbreaks?

Dr. KING. Under the current program, we have been able to hold tuberculosis outbreaks down to about 10 per year. However, during the past two years the incidence in imported Mexican steers has increased significantly and exposure of cattle to infected cervidae has also increased. This may cause an increase in infection in cattle in subsequent years. TB outbreaks cause losses to herd owners through the inability to move and sell animals, loss of milk base, livestock devaluation, revenue loss, and debt restructuring. The owner may also experience losses when replacing expose or reactor cattle. This is particularly true for dairy cattle owners. For example a hear owner whose dairy animal is valued at \$2,000 and is a TB reactor would be reimbursed only \$1,000 per animal; \$750, the APHIS payment for reactor animals, and \$250 the slaughter plant's salvage payment. The loss would be \$1,300 per animal if the owner is paid the non-reactor rate of \$450 per animal along with a \$250 salvage payment.

The potential losses without a program could be high. Extensive outbreaks would occur with losses estimated at over \$350 million to the slaughter industry. A comprehensive computer model developed in Canada in 1979 indicated that the cattle industry would eventually lose over \$1 billion annually.

Mr. DURBIN. Okay. Fine. Thank you very much.

Mr. Skeen?

EXPORT HEALTH CERTIFICATE FEES

Mr. SKEEN. Thank you, Mr. Chairman.

I appreciate the testimony you gave this morning. Coming from a State that has a very avid interest in what APHIS does, it has been about a year ago since we implemented the user fees for endorsing the export health certificates and how is that program working?

Dr. KING. I think it is working much better today than in the past. Whenever you start a program like that, Congressman, it takes a while to work out some of the kinks in it, and now it is much better. There are hours when our people are available, much greater ease of payments, and I think that has worked out, and we feel pretty comfortable right now.

Mr. SKEEN. We are hearing a few complaints at least about the size of the fees. Do they run something like \$38 to \$44 for the first

animal and then \$1.50 for additional animals and the time requirement for processing is about seven or eight minutes to endorse the certificates?

Dr. KING. We are trying to make that as equitable as we can.

Mr. SKEEN. Are you reworking the fee schedules?

Mr. KING. We are constantly looking at the fee schedules to make them equitable and fair. When you come in, whether you have almost 1,000 or 10, there is a certain amount of time right off the bat that it takes to prepare the paperwork and verify the test results that are reflected on the certificate. This verification is often completed before the person comes in to get the certificate endorsed. And then the cost drops off considerably.

Mr. SKEEN. Are you considering dropping those fees? For the first animal, anyway.

Dr. KING. We are taking a look at them, but we seem to be having fewer problems today than in the past. Confirming the diagnostic test results is the most time consuming and expensive.

Mr. SKEEN. On consolidation of legislative authority, how is that program coming?

Dr. KING. We would like to consolidate all of our authority into two major acts, the Plant Health Act and Animal Health Act, and we have had those prepared in the past and we would like very much to put those forward as soon as possible.

Mr. SKEEN. It is a priority for you?

Dr. KING. Yes, it is.

ANIMAL DAMAGE CONTROL

Mr. SKEEN. Let's go back to animal damage control, and I have a question here that you stated that you are going to complete the EIS on western range land activities this summer. You told us that last year. Are we having trouble or what is the problem?

Dr. KING. Regarding the EIS, when we first published a proposal 2 years ago for comment, there was over 1,500 comments. We had to go back, look at those comments, and analyze them. Based on that analysis, we now have a supplement to that EIS that is much expanded. It looks at risk assessment, risk analysis. It has a much more analytical look, looking at alternatives, and that phase is now completed.

That supplement is out for public comment. We think that this is a very good effort, and we hope we get good comments on it. So that phase is completed, Congressman.

Mr. SKEEN. It is completed?

Dr. KING. Yes, it is.

Mr. SKEEN. That was about a three-year study; wasn't it?

Dr. KING. To add the supplement on it, to make it a complete EIS document, yes.

Mr. SKEEN. I am told that Utah and Idaho continue to have problems with their animal damage control activities, due to the lack of a final EIS.

Dr. KING. Mr. Acord, Deputy Administrator for animal damage control will respond to that question.

Mr. ACORD. Mr. Skeen, the situation that we have in Utah and Idaho has to do with our work on Bureau of Land Management land.

Mr. SKEEN. That always makes it tougher, doesn't it?

Mr. ACORD. That complicates it by at least one multiplier anyway.

We are working with them to do the environmental assessment on the various districts in those two States, and there has been some activity delay there while we work with the Bureau of Land Management to complete those environmental assessments.

But that is an activity which has to be undertaken by the BLM, not by us, although when our environmental impact statement has a record of decision issued with it, it will serve as kind of a foundation that both the Forest Service and the Bureau of Land Management can tier to make it far easier to do than it currently is.

Mr. SKEEN. This brings up a question in my mind. We had a serious conflict between the State land Commissioner in New Mexico and the APHIS authorities administering the animal damage control programs. This Commissioner restricted all animal damage control activities on State lands in the State of New Mexico because of a squabble over trap checking time. Has that been a problem in other States as well?

Mr. ACORD. Mr. Skeen, it has not been. Frankly, the trap check time is a function of resources. It is also a function of State law. It varies according to the statutes in each individual State. New Mexico has a 48-hour trap check for private trappers.

Mr. SKEEN. ADC has a 72-hour check.

Mr. ACORD. We have an exemption which really does not provide for a specific period, but we have consistently tried to check the traps on a 72-hour basis. If we start checking traps on a 24-hour basis, that simply means that we have only a third of the current effort devoted to trapping.

Mr. SKEEN. The real problem is the weekends. Those folks don't work on the weekends.

Mr. ACORD. That is correct. And holidays complicate it as well.

Mr. SKEEN. There was never any program implemented about trap checking on a 24-hour or 48-hour basis.

Mr. ACORD. It was our belief and position that this is within the authority of the State; that we have no preemptive authority over the State on that particular issue, and if they were going to set that kind of standard, unfortunately, we have no alternative but to comply with that.

Mr. SKEEN. What are you doing to improve the public image insofar as the ADC programs are concerned, because they do provide a very essential service in the agricultural production areas. Is there any public relations work being conducted within your agency with regard to the ADC program?

Mr. ACORD. We have undertaken some efforts to educate the public with regard to the activities of the animal damage control program. The necessity for ADC, the fact that it is needs-based, that we are not out making our own decisions about when and where we work; that it is, in fact, a needs-based service that is provided not only to agricultural producers but to others in the natural resources area or in the area of public health and safety.

We have a real effort under way to try to inform the public about those kinds of activities, and I think we have had some success. We have been able to work with a number of the organizations that have, in fact, been opposed to animal damage control to, I believe, give them a better understanding of ADC activities. We have also worked with the newspaper and TV reporters to at least make sure that both sides of the issue are told.

Mr. SKEEN. ADC is more than keeping coyotes out of sheep. It's keeping birds out of plane engines, bears out of campgrounds and cranes out of corn and chile fields. Would you provide for the record all the activities not associated with coyotes?

Dr. KING. Besides coyotes, many other mammals and birds cause several hundred million dollars of damage annually, and may also threaten public safety. ADC personnel routinely assist producers to help reduce bird damage to agricultural crops such as sunflowers, corn, and rice, as well as alleviate or minimize crop damage caused by deer, raccoons, prairie dogs, pocket gophers, and other mammals. The ADC program also helps alleviate damage caused by porcupines, beavers, and black bears. Additionally, ADC personnel provide assistance to aquaculture producers to minimize losses caused by fish-eating birds.

Some ADC activities are specifically conducted to help protect threatened or endangered species from predation. Species include as the California least tern, San Joaquin kit fox, Aleutian Canadian goose, and the roseate tern.

ADC has also been extremely active in its role to protect human health and safety through the control of animal-borne diseases such as rabies and histoplasmosis, removal of dangerous animals such as bears or mountain lions from public areas, and efforts to minimize bird strikes at numerous airports across the country.

ADC/WOLF GROUPS

Mr. SKEEN. It is my understanding that ADC is working with the Defenders of Wildlife and other "save the wolf groups" in estimating the losses of livestock when wolves are re-introduced back into the wild. Is it difficult to determine the economic losses to farmers and ranchers in those areas where the wolf is being re-introduced? Are you able to quickly make these determinations?

Dr. KING. ADC works with the Defenders of Wildlife to identify livestock killed by wolves in Montana, Idaho, and Wyoming for use in their indemnification program. The ADC program does not estimate economic losses caused by wolves, but rather investigates reported losses to determine whether the losses were caused by wolves or some other predator.

Mr. SKEEN. I think it is a good plan and it is one that is absolutely essential, because as you said a lot of your work in ADC involves not killing of wild animals or any other kind of predators, it includes the management of changing predator control practices. But I don't think the general public has a clear perception of what is encompassed in the program. So that is why I am interested in the public relations aspect of your program.

Mr. ACORD. Thank you.

Mr. SKEEN. Mr. Chairman, I would like to ask unanimous consent to enter into the record some questions for Congressman Allard to be submitted to you.

Mr. DURBIN. Without objection, so ordered.

[The questions and responses follow:]

Mr. ALLARD. The President's short-term economic stimulus proposal includes \$38 million for modernizing and repairing federal agricultural research facilities. Since this committee has already appropriated \$8.5 million for relocation and construction of new facilities for the Denver Wildlife Research Center, extensive design plans have already been completed, and the land has been leased, it would appear that it is an ideal candidate for completion pursuant to the President's agenda. What is the Agency's plan regarding commencement of construction of this research facility?

RESPONSE. APHIS is committed to constructing the new research facility for the Denver Wildlife Research Center on the Foothills Campus of Colorado State University. As former Secretary Madigan indicated in a letter to then-Chairman Whitten dated March 22, 1991, our long-term objective is to move all of DWRC to Fort Collins.

Of the \$8.5 already appropriated for the new facility, \$6 million is for design and construction of the Animal Research laboratory (Phase 1A). The design phase of the laboratory has been completed. The final solicitation for a construction contract was mailed to prospective bidders on November 27, 1992. Bid opening has been delayed until April 28, 1993, pending clarification of out-year funding issues and briefing of the new USDA leadership team. Construction of the laboratory (Phase 1A) is estimated to take about 16 months.

The remaining \$2.5 million already appropriated is for the design and construction of the outdoor animal holding facilities (a portion of Phase 1B). The statement of work has been completed and a fee has been negotiated with an architectural firm for design. APHIS anticipates awarding the design contract in the summer of 1993.

Mr. SKEEN. Thank you for your responses to my questions. I have no more.

Mr. DURBIN. Mr. Pastor?

WORK FORCE DIVERSITY

Mr. PASTOR. On page 6, the third paragraph, second sentence, you state: This past year, the underrepresentation of women and minorities that existed was eliminated.

Just for my curiosity, and I congratulate you on your accomplishment, have you been able to meet this goal? I guess if you give me numbers it would help me to better understand it.

Dr. KING. Congressman, that reference was for veterinary medical officers in particular, and shows the move of the agency and its serious commitment towards achieving diversity and a true reflection of people with varied ethnic backgrounds coming into the agency.

We have made recruiting efforts to ensure that we reflect the look of the United States. We are proud of the accomplishments that have taken place.

Mr. PASTOR. Could you give me just a ballpark figure of where you are at? How has the underrepresentation changed over a year ago where you were the past year? Give me some numbers.

Dr. KING. Of the veterinary medical officers that have been hired, more than half have been women and ethnic minorities.

Mr. PASTOR. How many do you have total? Let's start with that question.

Dr. KING. We probably hire—

Mr. PASTOR. How many do you have total in the population of that classification?

Dr. KING. We have between 500 and 600 in that classification.

Mr. PASTOR. So now 50 percent of them are women?

Dr. KING. Fifty percent of the new hires in the last 3 years have been women or ethnic minority.

Mr. PASTOR. Again, in perspective, how many new hires have we had? Let me ask that question.

Dr. KING. Probably close to 150 during the last three years.

Mr. PASTOR. So 100?

Dr. KING. Yes.

Mr. PASTOR. And in terms of minorities?

Dr. KING. I would be glad to present those to you. I don't have those figures right now, but would be happy to provide them for the record.

Mr. PASTOR. I appreciate it.

Dr. KING. Yes, sir.

[The information follows:]

As of	Total VMO's	White males (percent)	White females (percent)	Ethnic minorities male/female (percent)
VETERINARY MEDICAL OFFICERS (VMO)				
9/1990.....	544	414 (76)	76 (14)	54 (10)
9/1991.....	561	432 (77)	73 (13)	56 (10)
9/1992.....	577	421 (73)	87 (15)	69 (12)
VMO NEW HIRES				
9/1990.....	42	17 (40)	20 (48)	5 (12)
9/1991.....	57	24 (42)	27 (47)	6 (10)
9/1992.....	51	25 (49)	18 (35)	8 (16)

SWEET POTATO WHITEFLY

Mr. PASTOR. On page 10, you talk about the control efforts on the sweet potato whitefly. Do you have any idea how successful your efforts have been to date and are you cooperating with ARS? I know they also are doing some research on this and I would like to have a feeling of what the coordination is.

Dr. KING. Before I have Mr. Lee talk to that, we do have an inner-departmental committee looking at sweet potato whiteflies, not only with ARS but also the Cooperative State Research Service and the Extension Service.

With that introduction, Glen, do you have any more comments, please?

Mr. LEE. The degree of success certainly would be viewed differently, I think, depending on where you are and the degree of infestation you might have had. If you are a grower, for example, and you don't see numbers of the whiteflies being killed off or left, you probably don't think of success in those terms.

But from the planning and accomplishment of what can be done to manage the entire program long-term, success has been accomplished. That success is defined in that we have evaluated the parasites and predators in other countries that keep that particular pest in check. We now have screened those through the requirements for them to be brought into the U.S.

We have reproduced, I believe there are six different species, and we have, in fact, released three of those species. In those areas in which we have released, they have been successful on a small scale of reducing the numbers.

Mr. PASTOR. Where have you released them?

Mr. LEE. We have released them in the valley in Texas and in Southern California.

Mr. PASTOR. Southern California?

Mr. LEE. Yes, that is correct.

Mr. PASTOR. And you said there was a small test?

Mr. LEE. There are still small tests. The research agreement that we have with the Agricultural Research Service and the Cooperative State Extension Service in a participating nature identifies the areas in which it would be most probable to release them for the success in which pesticides are not being used to wipe them out.

We have released them and they have become established in a couple of locations, and where they have become established the populations in very small areas have been controlled.

HOG DISEASE

Mr. PASTOR. Last year I happened to travel into interior Mexico and I visited several hog production farms. These producers were concerned because they wanted to buy hogs from the United States for breeding purposes, allowing them to improve their stock. Unfortunately, they encountered a so-called mysterious disease that prevented the growth of their stock.

Do we know what that mysterious disease is, and are they able to transfer the hogs into Mexico?

Dr. KING. The disease is not so mysterious. It is called porcine reproductive and respiratory syndrome. It is a togavirus.

Mr. PASTOR. That is how they referred to it, so that is——

Dr. KING. There is another Spanish translation.

Mr. PASTOR. I guess they referred to it as a serious disease. Okay.

Dr. KING. We know a lot more about that today than we did in the past. We find that the disease is really associated with production problems. When you start to crowd hogs together with vertical integration and large numbers, these activities increase the risk of this disease and other diseases.

We now have a diagnostic test that we didn't have before that enables us to screen and measure the extent of that disease. Porcine reproductive and respiratory syndrome is probably found in most hog populations worldwide where there are good numbers of hogs.

Mexico has not surveyed for that particular disease, so we don't know whether they have it or not. Last year, there was an embargo on both our breeding hogs and feeder hogs going into Mexico, because of that issue.

We have been able to resolve that to a certain degree because we now have a diagnostic test for the disease. We know where it is. Breeding hogs can go to Mexico now, if they come from a premise that has not had that disease for a period of 2 years. Slaughter hogs can go into Mexico if they go to a Federally-inspected plant.

So that is approximately where we are. Frankly, I think we could do better, and send more hogs to Mexico, and make sure that they are safe. I hope that answers your question.

STEWARDSHIP OF ANIMALS

Mr. PASTOR. Okay, thank you. On page 19 you talk about the stewardship of animals, and from what I get from your testimony, is that it is exhibition animals you tend to concentrate on, particularly in horses, but is it all exhibition animals or horses only?

Dr. KING. We have two specific acts, the Animal Welfare Act and the Horse Protection Act. The latter refers to prevention of soring in equine. The Animal Welfare Act then covers research facilities, exhibitions of animals, and wholesale dealers of those animals.

A lot of the work in the inspections is devoted especially for research facilities and dog dealers.

Mr. PASTOR. So most of the concentration of your work is on research facilities rather than on exhibitions——

Dr. KING. But they do include all, and also what has been termed as "puppy mills", where animals are raised for wholesale. So we do a lot of inspections there.

Mr. PASTOR. There is a big issue in the States concerning gaming in terms of animals. The treatment of animals for gaming, particularly greyhounds is an issue for us in Arizona, and I am sure it is for other States. Do you get involved in that type of work?

Dr. KING. That does not fall under the Animal Welfare Act, so we don't have authority.

Mr. PASTOR. You don't have authority. Okay.

Thank you, Mr. Chairman.

Mr. DURBIN. Mr. Smith?

SALMONELLA ENTERITIDIS

Mr. SMITH. I just have two or three questions.

I notice on page 13 you are talking about Salmonella and you say that you are helping to reduce illnesses and deaths caused by egg-related Salmonella but you don't say anything about illnesses and deaths caused by eating poultry.

Dr. KING. Yes, we have a program specifically looking at Salmonella enteritidis and the risk reduction of Salmonella enteritidis.

Mr. SMITH. Don't you have one in eating poultry, too?

Dr. KING. Not specifically, no, sir.

Mr. SMITH. This is a specific program.

Dr. KING. This is specific, and it is actually a line item for Salmonella enteritidis and not the total. Salmonella enteritidis just pertains to eggs.

Mr. SMITH. Before the Egg Inspection Act, which I happened to author, we had a lot of cracked eggs sitting around in storage and there was a lot of Salmonella in that but that does not exist any more; does it?

Dr. KING. It doesn't exist to the extent that it did because those eggs are cleaned and that act that you refer to was very worthwhile. That Act is administered under Agricultural Marketing

Service, but *Salmonella enteritidis* was an issue because it was deposited directly into, inside the egg and not on the outside.

Mr. SMITH. Now, is there any problem in liquid eggs now?

Dr. KING. Ken, on the AMS side.

Mr. CLAYTON. Yes, Congressman, I think that situation is pretty well under control. We monitor very closely the handling of dirty eggs, cracked eggs, that kind of thing.

Mr. SMITH. And after they are in the five gallon tins—

Mr. CLAYTON. They all go through pasteurization which is a part, of course, of the processing activities. I might add, one of the things we have been researching in the Agricultural Marketing Service is how well pasteurization is, in fact, dealing with a number of the bacteria that were of concern and which I am sure caused you to draft that act to begin with. So we do try to constantly monitor not only the process of disposing of the eggs and seeing that they are pasteurized but also making sure the pasteurization process is doing what it is supposed to do.

Mr. SMITH. Well, having a special program certainly is worthwhile, but the number of illnesses and deaths from eating poultry is far, far greater than it is from eating eggs, and I am kind of curious why your program is directed only at eggs.

Dr. KING. Well, this was just limited to a very specific problem that came up because it was a new disease. This was the first time that we had seen a salmonella organism that was invasive, that would get into the ova ducts, the ovary of the chicken, and then be transmitted through the egg internally.

Since that was a very different situation, we wanted to do something immediately because that was an emerging issue that we had not dealt with before.

SEED RESTRICTIONS

Mr. SMITH. I see. You know we have seed corn companies that go to the southern hemisphere to produce an extra generation each year. That way they get two generations of hybrids in one year. I understand there are restrictions on importing maize seed back to the United States from New Zealand. What is the current status of efforts to review those restrictions?

Mr. LEE. Mr. Smith, we have a proposal that is almost ready to go out on the street for public comment to allow that to happen. There are a number of diseases that can be transmitted via the seed, via the germ plasm. In the past, we have been extremely cautious about allowing the diseased germ plasm to come back to the country.

It appears that the scientists now are somewhat convinced that one of the major diseases that we had used to exclude maize and corn from coming back from New Zealand is perhaps the same organism that we have here in the States, and we will get that response from the scientific community in response to our proposal. But we have been meeting with industry to try to bring this change about.

Mr. SMITH. What kind of timetable are you talking about?

Mr. LEE. We hope to have that done by the middle of this calendar year.

BIOTECHNOLOGY

Mr. SMITH. I have been told that a contract was given to someone in early January for \$120,000 to go to Paris for one year as a consultant to the OECD on biotechnology. Who can tell me about that contract?

Dr. KING. Yes, I will have Mr. Medley respond.

Mr. SMITH. Okay.

Mr. MEDLEY. Mr. Smith, the Department of Agriculture gave a grant to the environmental directorate at the Organization of Economic Cooperation and Development in Paris. The grant was for them to look at the appropriate roles for the agriculture directorate along with environment directorate on biotechnology products.

The funds were given to the OECD. OECD was going to use those funds to hire a consultant or staff person to carry out that specific activity.

Mr. SMITH. Was there an understanding that a certain consultant would be hired?

Mr. MEDLEY. No, sir. The agreement with OECD specified that the consultant would be someone who spoke English and had a thorough knowledge of the agriculture-biotechnology issues.

Mr. SMITH. And they decided who the consultant would be?

Mr. MEDLEY. Yes, sir, they did.

Mr. SMITH. And any further qualifications on who the consultant would be?

Mr. MEDLEY. Well, in addition to speaking English, we require a thorough knowledge of the biotechnology issues, both from a scientific and a regulatory perspective.

Mr. SMITH. Are you satisfied the person that was hired has that knowledge?

Mr. MEDLEY. Yes, sir, we are.

Mr. SMITH. Well, it raised some eyebrows, but I wanted to get the explanation. Thank you.

Mr. DURBIN. Mr. Walsh?

Mr. WALSH. I have no questions.

Mr. DURBIN. Mr. Peterson?

PUPPY MILLS

Mr. PETERSON. Thank you, Mr. Chairman.

Just a couple, and I apologize for getting here late.

To follow up on one of your statements having to do with the puppy mills, it seems to me that more and more of the professional animal care—that veterinarians are saying, don't go to a pet shop to buy a pet because of what is coming out of these mills.

Are you inspecting the pet shops along with the puppy mills or does your chain stop at the puppy mill? Where is the break point here or do you have full responsibilities?

Dr. KING. I will turn to our animal welfare, animal care specialist. This is Dr. Morley Cook.

Mr. Cook. Pet shops do not come under our jurisdiction, unless they do sell to research or to other dealers. Then they would come under our jurisdiction.

We do, of course, monitor the dealers that sell to pet shops and through the wholesale channels.

Mr. PETERSON. For my information, whose responsibility, then, is picked up at the pet shop level? Is that a State responsibility?

Mr. COOK. That would become a local or State responsibility. It is not covered under the Animal Welfare Act except for the cases I just mentioned.

Mr. PETERSON. If a complaint is made about a pet shop selling ill pets, does that stimulate something from you to go back to the potential mill?

Mr. COOK. Only if there is a complaint against that particular producer of pets that went to that pet shop and it is a complaint that comes to us. We investigate all of those.

IMPORTATION OF HORSES

Mr. PETERSON. While you are at the table, and this may fall under your purview, with the coming of the Olympics in Atlanta one would presume there is going to be significant importation of horses. Have you made a contingency plan to address that and will you have to have quarantine facilities? What kind of extra costs do you think would be incurred to support that activity?

Mr. COOK. That would get over into another area of APHIS.

Dr. KING. Yes, those contingency plans are already being put in place. The preparations are going well for Atlanta. There are horses that will be coming from literally all over the world.

We will have on-site a temporary facility where horses can be quarantined and checked in Atlanta, supervised by people from veterinary services of APHIS. Depending on the country from which they originate, horses will go through tests and perhaps even quarantines before they may enter the United States.

It has to do with the disease called African horse sickness, which is found in Spain and northern Africa. Our horse industry wants us to make sure we have adequate safeguards in place and we will.

Mr. PETERSON. Can you absorb these activities through ordinary funding or is this going to be an extra burden on your capacity, capabilities?

Dr. KING. We will pick that up through fees, and so we won't have to absorb that.

BORDER FACILITIES

Mr. PETERSON. Okay, good. Obviously, you are at the borders with a number of your federal colleagues. Just as a matter of my own inquisitive mind here, do you all operate out of the same facility or does USDA have one facility at a border and other Federal agencies have facilities of their own?

Dr. KING. We work very closely with Customs, Immigration and Naturalization Service, and other Federal agencies. We perform inspections and coordinate other activities to ensure agricultural pests and diseases are excluded.

Mr. PETERSON. But are you normally collocated in a facility?

Dr. KING. Yes, that is true.

Mr. PETERSON. So there is some economy of scale here?

Dr. KING. Exactly.

HYDRILLA

Mr. PETERSON. In one of your responsibilities, you are dealing with hydrilla in California. Have you a responsibility to deal with it only within the agricultural field or can you also deal with it in the waterways and lakes and streams, instances not necessarily agriculturally driven?

Mr. LEE. Mr. Peterson, in California and in the Imperial Valley, we deal with it in the waterways. It is actually in the irrigation canals that have been constructed. We do not deal with it outside of the irrigation districts that are there in the valley. It is an aquatic weed, as you are well aware of, and the monies were identified and targeted for an eradication demonstration project in California.

Mr. PETERSON. Well, obviously, you are not reinventing the wheel because we have major problems with hydrilla throughout the country and most specifically in Florida, and the Corps of Engineers has multibillion dollar contracts going out to deal with this. Are you coordinating with them?

Also, who is the researcher on this? Who is finding the most effective, efficient method for addressing the hydrilla question?

Mr. LEE. I cannot answer the question about who is the principal researcher on the program, but we do provide the technical assistance to States other than California when there are activities going on within those States. And your observations are entirely correct, it is not only a problem in the Imperial Valley in California but in other States of the country.

But the monies made available to the agency were to undertake a demonstration eradication project in the Imperial Valley in California.

Mr. PETERSON. I am interested in why we are demonstrating it there when we are doing it elsewhere. I don't understand that. I wonder where I would go to find out who is doing the real work?

Mr. LEE. The Agricultural Research Service was involved very early on in the eradication. The Fish and Wildlife Service was involved because we were attempting to bring into the country fish that would eat the aquatic weed. I don't believe that the Fish and Wildlife Service is actually doing research on the problem per se. I do know there are several universities in States affected by it, Florida being one of them. As for the coordinating factor for the eradication, I am not sure who is doing that.

IMPORTED FIRE ANT

Mr. PETERSON. Okay. And then my last question, the fire ant, which in the South is a huge plague to us from the standpoint of injury to agricultural equipment and a number of other things.

But in some areas there is research that suggests that fire ants are beneficial. There is a professor at the University of Florida that has made himself fairly well-known by demonstrations that there are positive aspects to this as opposed to all negative.

Has that shut down our fight to get rid of this pest or is that just one voice in the wind here?

Mr. LEE. It has not shut down our fight to get rid of it. However, we are not currently engaged in any large scale eradication pro-

gram simply because we do not have an environmentally acceptable material to use that will take care of the ants. It has been disputed by a number of well-known scientists that the ant does provide some beneficial impact in some crops.

We are working with the University of Arkansas to do an economic evaluation of the beneficial effects of the ant. So, hopefully, we will be able to answer that question with some definition about in what situations and in what crops it is perhaps a beneficial organism.

Mr. PETERSON. The commercial products available to a typical resident that is trying to get rid of fire ants in their yards are quite expensive. Are they looked at from the standpoint of price or claims they make?

Mr. LEE. We look at them relative to the effectiveness of getting rid of the ant. We do not look at them relative to the cost to the public. That is outside of our jurisdiction.

We still have an effective regulatory requirement for the movement of regulated articles from nurseries, along with other commodities that would likely transport the ant from one location to the other.

We are constantly evaluating the materials that are readily available as well as new materials that are being produced by companies.

Mr. PETERSON. I don't know how this gets there, but I know at the USDA office in my county they have sales for Amdro, where you can go in and buy X number of pounds at such-and-such a price, which is quite a discount from what you would find at the local hardware store or whatever.

Is that anything that you all involve yourself with or is that something we are doing locally?

Mr. LEE. You are doing that.

Mr. PETERSON. We are doing that locally?

Mr. LEE. Yes, that is correct.

Mr. PETERSON. Thank you very much, Mr. Chairman.

Mr. DURBIN. Thank you very much, Mr. Peterson. Mr. Myers,

Mr. DURBIN. Thank you Mr. Peterson. Congressmen Myers and Wilson both members of the Appropriations Committee have some questions they would like answered for the record. Also, Mr. Hayes of Louisiana has sent some questions over.

[The questions and responses follow:]

PSEUDORABIES

Mr. MYERS. Pork producers in the United States began a national control and eradication program for pseudorabies in 1989 in conjunction with APHIS. It is estimated that the disease costs U.S. pork producers over \$30 million annually. What progress has been made in eradicating this disease? Are all fifty states participating in the federal-state-industry eradication program? Under this program, please compare the percentage of funding contributed by each entity. What was your request to OMB for pseudorabies eradication?

RESPONSE. We have made tremendous progress toward eradication in many States. In FY 1992, Arkansas and South Carolina completely eradicated pseudorabies from

their swine herds and as of September 30, 1992, Puerto Rico, the Virgin Islands, and 22 States report no pseudorabies in their herds. Maine, Utah, and Alaska have already been officially recognized as free of pseudorabies and New Mexico will achieve this status upon the receipt of additional information. All States except for Iowa have made sufficient progress in their eradication programs to enable them to eradicate pseudorabies from their domestic hogs by the year 2000. The number of infected hogs in these States has been decreasing since June 1990.

APHIS has also made significant biotechnology advancements, with the approval of gene deleted tests kits. A differential test makes it possible to differentiate between antibody responses that are produced by vaccines from those produced by natural infection. The licensure and approval of this new technology has allowed swine producers to maintain greater protection of their swine herds with the use of improved vaccines and yet test their animals for official program purposes. In the past, vaccinated herds could not be tested and were maintained under a quarantine.

As of October 31, 1992, all 50 States, in addition to Puerto Rico and the Virgin Islands, were participating in the program.

[The information follows:]

PEUDORABIES FUNDING PERCENTAGES ¹

State	Federal share	State share ²
Alabama	31	69
Alaska	10	90
Arizona	74	26
Arkansas	68	32
California	5	95
Colorado	73	27
Connecticut	8	92
Delaware	26	74
Florida	100	0
Georgia	68	32
Hawaii	1	99
Idaho	100	0
Illinois	17	83
Indiana	26	74
Iowa	76	24
Kansas	76	24
Kentucky	38	62
Louisiana	100	0
Maine	7	93
Maryland	86	14
Massachusetts	15	85
Michigan	33	67
Minnesota	60	40
Mississippi	100	0
Missouri	63	37
Montana	41	59
Nebraska	32	68
Nevada	13	87
New Hampshire	25	75
New Jersey	41	59
New Mexico	100	0
New York	99	1
North Carolina	13	87
North Dakota	85	15
Ohio	26	74
Oklahoma	19	81
Oregon	100	0
Pennsylvania	8	92
Rhode Island	100	0
South Carolina	18	82
South Dakota	46	54
Tennessee	23	77
Texas	34	64
Utah	41	59

PSEUDORABIES FUNDING PERCENTAGES ¹—Continued

State	Federal share	State share ²
Vermont	100	0
Virginia	24	74
Washington	9	91
West Virginia	29	71
Wisconsin	18	78
Wyoming	4	96
Washington, DC	100	0
Puerto Rico	100	0
Virgin Islands	100	0

¹ These percentages are based on actual FY 1992 expenditures.

² Industry contributions to the pseudorabies program are not available.

The request for the FY 1994 pseudorabies program to OMB was \$7,648,000, which included \$3,488,000 for eradication and \$4,160,000 for monitoring and surveillance. The latter amount was proposed to be transferred to the new Animal Health Monitoring and Surveillance line item.

Mr. MYERS. Your testimony indicates that APHIS plans to move away from focusing on the eradication of certain diseases and look at the overall health of animals. What is driving these shift in priorities? Will another agency pick up any slack that is felt by this change in focus?

RESPONSE. As the Agency moves toward successful eradication of major animal diseases, resources for animal disease management decrease. Even as funding for these programs has been declining, the current APHIS infrastructure and the activities it performs to protect the nations' agricultural health has been continuing. For example, in order to maintain program gains, surveillance activities for diseases such as brucellosis, pseudorabies, and tuberculosis will remain necessary from now until 5-10 years after successful eradication. Essentially, the primary reason for this shift in priorities is to ensure that animal disease surveillance and detection, emergency disease preparedness and response, animal health monitoring, and epidemiological delivery continue after completion of the major animal disease eradication programs.

The change in focus should not create any slack in current eradication programs. This proposed shift merely combines resources that support surveillance activities for the brucellosis, pseudorabies, and tuberculosis programs. It also shifts funding for other disease management programs: National Poultry Improvement Plan, poultry diseases, swine health protection, miscellaneous animal diseases, and animal disease detection to animal health monitoring and surveillance at the same funding level. Resources for disease eradication activities remain in the disease management line items. As it has in the past, APHIS remains committed to successfully eradicating brucellosis, pseudorabies, and tuberculosis from the United States.

ENVIRONMENTAL PROTECTION

Mr. MYERS. You indicate that one goal of APHIS in the next year will be to do business in a more environmentally conscious way. How do you see this increased focus helping the American farmer and producer? What problems have there been that necessitate a need for this proposed focus?

RESPONSE. The American farmer, much like other sectors of the public, is sensitive to environmental quality concerns. APHIS, in seeking to be a good steward of the environment, shares and promotes these concerns. By practicing environmental sensitivity we reduce regulatory uncertainty, thus minimizing the threat of litigation related to noncompliance. Being environmentally conscious ensures that APHIS employs practices that would not be considered harmful to the environment. For example, pesticide use should be kept within the established standards, thus reducing ground water contamination. Also, APHIS will continue to focus greater attention on biological control strategies in the future due to the environmental concerns surrounding continued use of pesticides. This is expected to improve the capacity for farmers, foresters, and homeowners to solve pest problems in ways that enhance the sustainability of American agriculture and forestry.

APHIS sees the problems facing farmers and consumers more as environmental challengers. These challenges relate to the vast and complex array of environmental regulations at the Federal, State, and local levels, the ever-present threat of litigation.

tion, and the need to coordinate the total effort devoted to environmental compliance. To meet this need without adding inordinately to the administrative burden or crippling the Agency's ability to carry out its mission and function, APHIS has embarked upon an effort to establish a cost-effective systems approach to environmental compliance, one that strives to link the long-term public interest to the marketplace in an equitable and effective manner. Recognizing these challenges, APHIS has created a circle of environmental protection concept which allows for integrating environmental planning at the earliest possible time in the program planning stage, exploring and evaluating all reasonable alternatives to current control and eradication practices, looking to anticipate or prevent environmental problems, establishing multiple feedback loops between the programs, and developing a comprehensive approach to dealing with substantive and procedural statutes.

ANIMAL WELFARE

Mr. MYERS. Are your animal inspections driven by any publicity put out by animal activist organizations such as PETA?

RESPONSE. No, they are not. While we endeavor to be responsive to all valid concerns, the driving forces behind our inspections are the standards and regulations developed in response to Congressional direction. We act on valid complaints and make adjustments in procedure when they are warranted.

ANIMAL WELFARE

Mr. WILSON. Several weeks ago, the Federal District Court for the District of Columbia ruled that APHIS has illegally turned over the setting of standards under the Animal Welfare Act for dog exercises and the psychological well-being of primates to the entities APHIS regulates. The Court ordered APHIS to rewrite those regulations. Can you tell me what steps APHIS has taken since then to comply with the Court's ruling?

RESPONSE. APHIS is currently reviewing Judge Richey's decision in consultation with USDA's Office of the General Counsel and the Justice Department. The order from the U.S. District Court did not void the current Animal Welfare Act regulations, but rather orders us to promulgate new regulations. We are continuing to enforce the existing regulations pending completion of that review.

Mr. WILSON. Tell me when you anticipate the rulemaking process will be started again.

RESPONSE. Judge Richey's order remanded the matter back to the USDA where a review of the decision is now in progress. As soon as that review is completed, we will act in accordance with the legal requirements.

Mr. WILSON. Give me a rough estimate of when these new standards could actually become effective?

RESPONSE. The rulemaking process lasted 4-6 years for the earlier proposals. Based on the experience gained during that process, we anticipate that additional rulemaking should not require as much time.

Mr. WILSON. The Court also questioned whether the agency had been unduly influenced by "special interests" in reversing previous decisions that would have set minimum standards for laboratory animals. Has the Department initiated or does it intend to initiate an investigation of these claims?

RESPONSE. APHIS was not unduly influenced by special interests in deciding to change the standards. After careful review of the comments received during the rulemaking process and other information acquired through meetings and consultation, we believed it was appropriate to modify our original proposal. We believed that it is possible to improve housing for primates without Federal regulations that precisely define cage sizes. We believed that a focus on the particular animal's well-being, with the flexibility to use innovative caging, would do as much to improve living conditions for primates as exact cage measurement requirements.

Mr. HAYES. I am contacting you today to request an FY '94 appropriation of \$120,000 to assist Louisiana Animal Damage Control in administering a blackbird control program in Vermilion and Evangeline parishes located in Southwestern Louisiana.

During the winter, the blackbird population in Vermilion and Evangeline Parishes totals tens of millions of birds that roost in the marshes along the coast. These blackbirds destroy many acres of planted rice per day at considerable loss of money and time to Louisiana rice farmers.

The only chemical currently in use and known to be effective for Blackbird control is the avicide DRC-1339, also known as Starlicide. This chemical is registered to the USDA/APHIS/Animal Damage Control Program for use in both Vermilion and

Evangeline Parishes and must be applied under direct supervision of Animal Damage Control. A national registration for the chemical is under consideration by the Environmental Protection Agency and expected to be approved later this year.

ADC would like to continue a pilot program in Vermilion Parish, but is lacking the necessary funds. An appropriation of \$120,000 combined with the funding and materials that the rice growers are willing to provide will bring this very important pilot program to fruition.

Thank you for your consideration of this request. Please do not hesitate to contact me if I can provide any more information.

RESPONSE. The FY 1993 allocation of Federal funds to Louisiana for ADC activities totals \$263,000 Statewide, supplemented by \$56,751 in cooperator contributions. Present funding is devoted to maintaining ongoing activities and is not sufficient to initiate the pilot project as described. The FY 1994 budget does not contemplate funding the program.

Mr. DURBIN. I want to thank the folks from APHIS today, and we will be back in touch with you.

BIOGRAPHICAL SKETCH

LONNIE J. KING

Dr. Lonnie J. King is the Associate Administrator for the Animal and Plant Health Inspection Service (APHIS) and is currently Acting Administrator. Prior to serving in this position, he was the Deputy Administrator for APHIS' Veterinary Services (VS). Dr. King is a native of Wooster, Ohio, and received his B.S. (1966) and D.V.M. (1970) degrees from the Ohio State University. He has also earned a M.S. degree in epidemiology from the University of Minnesota while on a special USDA assignment in 1980. Dr. King is a diplomate of the American College of Veterinary Preventive Medicine and has recently completed the Senior Executive Fellowship program at Harvard University.

Dr. King was engaged in private veterinary practice for 7 years in Dayton, Ohio, and Atlanta, Georgia. He served in a variety of positions in APHIS-VS from 1977-1987. Those positions included field Veterinary Medical Officer (Georgia) and Station Epidemiologist (Texas). He spent 5 years in Hyattsville, Maryland, in staff assignments both in Emergency Programs and Animal Health Information. During this time, Dr. King directed the development of the Agency's National Health Monitoring System.

For a year prior to his appointment as Deputy Administrator for VS, Dr. King served in Washington, D.C., as Director of the Governmental Relations Division for the American Veterinary Medical Association. He has extensive contacts with a large segment of the veterinary profession through his work with other governmental agencies, universities, major livestock and poultry industry groups, and private practitioners. He maintains a high level of interest in public veterinary medicine through his experience and program initiatives.

Dr. King resides in Columbia, Maryland, with his wife Sylvia and their two children.

BIOGRAPHICAL SKETCH

BILLY G. JOHNSON

Dr. Bill G. Johnson is the Deputy Administrator for the Veterinary Services (VS) unit. Prior to serving in this position, Dr. Johnson was the Associate Deputy Administrator for VS since June 5, 1986. He was born in San Saba, Texas, on June 30, 1935. Dr. Johnson earned a Doctorate Degree in Veterinary Medicine from Texas A&M University in 1959.

Upon earning his doctorate degree, Dr. Johnson began his Federal career with the Agricultural Research Service (ARS), serving for a short time with the Animal Disease Eradication Division in Arkansas before entering the Air Force for 2 years. After his departure from the military service in 1962, Dr. Johnson returned to ARS in Arkansas as a field veterinarian. From 1964 to 1967, he assumed the duties of brucellosis epidemiologist. He then entered the ARS Veterinary Administrative Development Program and upon completion in 1968, Dr. Johnson served on the Emergency Diseases Staff in Hyattsville, Maryland, for 3 years. From 1971 to 1973, he served as APHIS Assistant Veterinarian-in-Charge in Washington State. He then served 1 year respectively as District Veterinarian-in-Charge for California and Hawaii and Chief Staff Veterinarian for the Import-Export Staff in Hyattsville, Maryland. From 1975 to 1980, he was Chief Staff Veterinarian for the Brucellosis Eradication Program. In 1980, Dr. Johnson was the Senior Staff Veterinarian for the Cattle Diseases Staff. In 1983, he was appointed Director of the National Brucellosis Eradication Program and was appointed Associate Deputy Administrator of VS in 1986.

Dr. Johnson currently resides in Glenn Dale, Maryland, with his wife Anita. They have two grown children.

BIOGRAPHICAL SKETCH

DALE F. SCHWINDAMAN

Dr. Dale F. Schwindaman is the Deputy Administrator of the Regulatory Enforcement and Animal Care (REAC) unit. Previously, he served as the Regional Director, Western Region, Veterinary Services (VS) from December 1989 to October 1992. He was born and raised on a farm in Kansas. Dr. Schwindaman graduated from Kansas State University in 1953 with Bachelor of Science and Doctor of Veterinary Medicine degrees. He has also finished all academic work toward a Master of Science in Animal Science at the University of Delaware.

Before coming to APHIS, Dr. Schwindaman had a dairy practice in Wisconsin before entering the Air Force Veterinary corps for 2 years. He also worked as a field veterinarian with the Minnesota Livestock Sanitary Board working with the accelerated brucellosis program. His first assignment with APHIS was as the District Veterinarian in Michigan for 2 years. He was also the Area Veterinarian in Illinois for 2 years. After completion of the Veterinary Administrative Development Program, he was the Assistant Veterinarian in Charge of New Jersey for 2 years. He was then assigned as the Veterinarian in Charge of Delaware for 2 years before being transferred to the Headquarters Animal Welfare Staff as Chief Staff Veterinarian. Dr. Schwindaman was named the Senior Staff Veterinarian of the Animal Care Staff in 1975. In 1982, he was assigned as Senior Staff Veterinarian, Technical Assessment Staff. He also served on several temporary assignments of 30 days or more to the Deputy Administrator's Office, VS, and as Acting Director, National Program Planning Staffs (NPPS), VS. He participated in the first Senior Management Preparation Program in 1981-1982. Dr. Schwindaman served 1 year (1985-1986) as the Acting Assistant Director, NPPS, VS, and was named the Chief Staff Veterinarian of the Domestic Programs Support Staff in April 1986. In January of 1989, he was named as the Assistant Deputy Administrator for Animal Care, REAC, and he served in this position until December 1989.

BIOGRAPHICAL SKETCH

MORLEY H. COOK

Dr. Morley H. Cook has served as the Associate Deputy Administrator for Regulatory Enforcement and Animal Care (REAC) since 1990.

A native of Topeka, Kansas, Dr. Cook received his Doctor of Veterinary Medicine degree from Kansas State University in 1946. Following graduation, he began service in the U.S. Army Veterinary Corps until 1948, whereupon he began a career in the private practice of veterinary medicine spanning 27 years. He practiced in western Kansas from 1948 until 1954, at which time he moved to Colorado Springs, Colorado, where he continued in private practice until 1981. During the private practice years, he served as President of the Colorado Veterinary Medical Association from 1966 to 1967 and as President of the Midwest Small Animal Association from 1967 to 1968.

In 1981, Dr. Cook joined the Animal and Plant Health Inspection Service (APHIS), U.S. Department of Agriculture, as a Veterinary Medical Officer for the Veterinary Services (VS) program. He began service with VS at the Salem, Oregon, field office, and held similar positions in Reno, Nevada, and Springdale, Arkansas, before accepting a position as Animal Care Specialist for VS in Englewood, Colorado, which he held from 1984-1985. Following this, Dr. Cook became a Senior Staff Veterinarian for VS at APHIS headquarters in Hyattsville, Maryland, where he served from 1985-1988. He then served 1 year as Area Veterinarian in Charge for VS in Indianapolis, Indiana, before accepting his present post as Associate Deputy Administrator for REAC in 1990.

Dr. Cook is married and resides in Annapolis, Maryland. The Cooks have three grown children.

BIOGRAPHICAL SKETCH

KEVIN SHEA

Mr. Kevin Shea is the Acting Director of the Budget and Accounting Division of the Animal and Plant Health Inspection Service (APHIS). Mr. Shea was born in Washington, DC, on October 16, 1954. He earned a Bachelor of Arts degree in government and politics from the University of Maryland and a Juris Doctorate from the University of Baltimore School of Law.

Mr. Shea has served APHIS as a budget analyst, policy analyst, and supervisor. He was chief of Policy Analysis and Assistant Director of Policy and Program Development before becoming Acting Budget Director. He also completed a tour of duty with the Budget Review Division of the Office of Management and Budget.

Mr. Shea also served as an intern for the Court of Appeals of Maryland and was an associate with the law firm of Frank, Bernstein, Conaway, and Goldman in Baltimore, Maryland. He is a member of the Maryland State Bar Association and is admitted to practice before Maryland and Federal courts.

Mr. Shea resides in University Hills, Maryland, with his wife Teresa and their children, Shannon, Brendan, and Kaitlin.

ANIMAL AND PLANT HEALTH INSPECTION SERVICE

Statement of Dr. Lonnie J. King, Acting Administrator, Animal and Plant Health Inspection Service, before the House Subcommittee on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies.

Mr. Chairman and members of the Committee, I appreciate the opportunity to report on our continuing efforts to protect American agriculture and its ability to affordably and safely feed Americans and others, and its contribution as part of the largest industry in our economy. I would like to report briefly on our Agency's mission, organization, accomplishments, and the challenges we face.

First, let me introduce some members of our management team with me today. They are Deputy Administrators, Dr. Billy G. Johnson for Veterinary Services; Mr. Bobby R. Acord for Animal Damage Control; Dr. Dale F. Schwindaman for Regulatory Enforcement and Animal Care; Mr. B. Glen Lee for Plant Protection and Quarantine; Dr. Alex B. Thiermann for International Services; Mr. Terry L. Medley, Director of Biotechnology, Biologics, and Environmental Protection (and, currently, Acting Associate Administrator of APHIS); and Mr. Kevin Shea, Acting Director of the Budget and Accounting Division.

In testifying today I want to emphasize at the outset that the Administration is currently formulating the President's Fiscal Year (FY) 1994 Budget. Accordingly, I am not in a position to provide you with the Administration's position on funding for specific programs or activities. As soon as the President's FY 1994 Budget is released I would be pleased to provide you with the Department's views.

AGENCY MISSION

The mission of the Animal and Plant Health Inspection Service (APHIS) is to protect American agriculture by providing leadership in ensuring the health and care of animals and plants, and thus improve agricultural productivity and competitiveness. This helps to keep food safe, better, and cheaper. It helps to keep our agricultural industry more efficient and thus more economically sound and successful, thereby contributing to our national economy and the public health. APHIS accomplishes this mission by: excluding exotic agricultural pests and diseases; detecting and monitoring incursions of agricultural pests and diseases; managing endemic agricultural pests, diseases, and predators; providing scientific and technical services; regulating veterinary biologics, plants, and other organisms developed through biotechnology; facilitating agricultural

exports; protecting the welfare of animals; protecting endangered species; ensuring that our activities safeguard the environment; and collecting, analyzing, and disseminating information.

AGENCY ORGANIZATION

APHIS was established as the Animal and Plant Health Service in 1971. The name was changed to Animal and Plant Health Inspection Service when other functions were added the following year. The Agency headquarters are located in Washington, D.C., and Hyattsville, Maryland. Veterinarians, inspectors, plant pathologists, entomologists, wildlife biologists, and other scientists and experts are located throughout the United States, and in several foreign countries. For FY 1993, Congress appropriated \$432.9 million for salaries and expenses, of which \$83.4 million is derived from user fees, and \$10.4 million for buildings and facilities. We have a staff-year ceiling of 6,530 employees. Six program delivery units, each representing unique scientific and regulatory disciplines, carry out the Agency's mission:

Veterinary Services employs veterinarians, animal health technicians, epidemiologists, and other animal health professionals. It conducts programs to ensure and protect the health of the Nation's livestock and poultry resources; prevents

the entry of dangerous animal diseases; enhances the export of livestock and poultry; cooperates in disease control and eradication programs; and conducts national animal health monitoring and surveillance activities.

Plant Protection and Quarantine employs entomologists, plant pathologists, and others with various scientific backgrounds. It conducts programs to protect the Nation's agricultural resources from the entry of plant pests and animal diseases; cooperates in plant pest survey, control, and eradication; and certifies U.S. agricultural products for export.

Animal Damage Control provides Federal leadership in managing problems caused by wildlife. The program employs wildlife management specialists whose responsibility is to protect America's agricultural, industrial, and natural resources and to safeguard public health and safety, while taking into account a wide range of legitimate public interests which may conflict with one another. These interests include wildlife conservation, biological diversity, and the welfare of animals as well as the use of wildlife for purposes of enjoyment, recreation, and livelihood.

Biotechnology, Biologics, and Environmental Protection employs scientists with training in multiple disciplines such as chemistry, molecular biology, ecology, veterinary medicine, microbiology, and genetics. This unit coordinates the development and execution of biotechnology regulatory policy within APHIS and other USDA regulatory agencies; issues licenses for veterinary biological products and production establishments; analyzes the environmental impact of all APHIS programs; and, where necessary, prepares environmental assessments or impact statements to ensure compliance with all applicable environmental laws and regulations. This program is also responsible for securing and maintaining pesticide registrations for agency programs. We also conduct pesticide residue analyses on fruits and vegetables for food safety purposes for the Agricultural Marketing Service and conduct environmental monitoring as part of APHIS' "Circle of Environmental Protection Program."

International Services conducts activities outside the United States which support the primary goals of protecting our nation's agriculture and enhancing U.S. agricultural exports by establishing an information network on the world animal and plant pest and disease situation; negotiating with foreign officials concerning entry requirements for this country's agricultural

products; cooperatively conducting agricultural pest and disease prevention, control, and eradication programs in foreign locations; and conducting preclearance programs of agricultural products destined for the United States.

Regulatory Enforcement and Animal Care employs veterinarians and other specially trained personnel to direct and coordinate investigations of alleged violations of law or Departmental rules and regulations, and conducts animal welfare inspections to ensure the proper stewardship of animals, whether they are destined for research, exhibition, or other regulated industries.

APHIS, through innovative and aggressive recruitment, has been able to attract the best qualified and most representative work force possible. This past year, the under-representation of women and minorities that existed in the veterinary profession was eliminated. A highly skilled work force and a working environment that stimulates and challenges our people are key to maintaining internationally recognized laboratories and support systems that provide technology, research, scientific information, and technical support services for APHIS programs, agricultural producers, and the public.

ACCOMPLISHMENTS AND CHALLENGES

APHIS is proud of its past. We have eradicated many threats to American agriculture, including screwworm, Avian influenza, hog cholera, exotic Newcastle disease, and on multiple occasions, Mediterranean fruit fly (Medfly). Currently, we are working successfully to eradicate Medfly in a cooperative effort with the State of California. But we see our challenges as changing. For example, we are moving in the 1990's toward an increasingly global economy. We will have to be more vigilant than ever if we are to prevent the entry of pests and diseases which are harmful to our country's agriculture. Maintaining the favorable health status of our national food animal populations and plant commodities is key to our international competitiveness in agriculture and enables us to export almost one-third of our agricultural production.

Managing our inspection programs to keep pace with the increased traffic of people and goods.

In FY 1992, 45 million passengers arrived at U.S. ports, an increase of almost 5 million over FY 1991. Passenger arrivals are projected to steadily increase through the year 2000. To meet this increased demand, over 1,500 scientifically trained APHIS inspectors continue to work with the U.S. Customs Service to expedite the clearance of passengers while maintaining adequate protection for American agriculture from exotic pests

and diseases. We constantly explore ways to improve our inspection process. For example, in FY 1992, we added nine new detector dog teams to complement 74 X-ray machines at major airports and land border stations. Most of these program activities are financed by user fees. We have tight management controls on these user fees and recently reduced several fees.

Current and impending international trade agreements involving free trade and regionalization have challenged APHIS' traditional import/export strategies. We expect increased trade in agricultural goods to mirror the increase in international passengers. Under the proposed North American Free Trade Agreement (NAFTA), the United States, Canada, and Mexico have agreed to administer sanitary and phytosanitary standards in a forthright and expeditious manner to further ensure that any trade would be safe trade for American agriculture. APHIS will continue to apply sanitary and phytosanitary measures necessary to protect the Nation's plant and animal health based on sound science and risk assessment procedures.

At the same time we are concerned with increased imports, APHIS recognizes the need to facilitate U.S. agricultural exports worldwide through bilateral discussions with many countries including Canada, Mexico, Japan, Australia, Chile, New Zealand, Korea, and Taiwan. APHIS participated in the Uruguay Round of

the General Agreement on Trade and Tariffs negotiations and the United States/European Community Working Groups on phytosanitary and sanitary matters to explore the concept of "regionalization," the recognition of pest or disease-free zones within countries to allow safe trade in agricultural products from those areas to occur. We are learning to cooperate and compete at the same time for the mutual benefit of U.S. and foreign agriculture.

Doing business in a more environmentally conscious way.

This year we initiated our "Circle of Environmental Protection" concept which helps the agency comply with its environmental requirements -- the National Environmental Policy Act and other environmental laws, legislation, and executive orders in a proactive fashion. This is accomplished through planning, environmental documentation, and environmental monitoring. We understand and share the concern with issues such as the use of pesticides and their impact on the environment and food safety. Issues like these underscore the critical need for sound risk assessment and risk management techniques. Our National Monitoring and Residue Analysis laboratory in Gulfport, Mississippi, plays an important role for the Agricultural Marketing Service and Food and Drug Administration pesticide data program in ensuring pesticide residues on agricultural

commodities do not exceed established standards. Nationally and globally, there is an increased demand for ready access to scientific data which can be used to assess risks, forecast disease trends, and evaluate the costs versus the benefits of various disease prevention, control, and eradication methods.

We have increasingly advocated and used biological control alternatives to chemicals for controlling plant pests. The concern with water and air quality, the potential carcinogenic effects of certain pesticides, and increasing pest resistance to pesticides have made it imperative for APHIS to continue to develop and improve upon biological control methods. For example, a new strain of sweetpotato whitefly has developed a resistance to most registered pesticides. This pest is believed to be widely established across the South, and is especially prevalent in California, Arizona, Texas, and Florida. It attacks over 500 different plants, including vegetables, melons, and non-crop plants, causing significant economic damage. Control efforts have concentrated on the development of biological control methods, including the use of exotic parasitic wasps, fungal pathogens, and certain natural compounds.

We are making our long standing programs ever more sound environmentally, and we are completing environmental impact

statements (EIS) on three of our major program areas. A comprehensive review of our Medfly eradication and suppression programs is nearing completion after 2 years of intensive effort. The EIS analyzes alternatives for Medfly eradication and suppression, both with and without pesticides, and addresses the expected effects if no action were taken against the pest. We expect to publish the draft EIS in April, with a large number of public comments expected to follow and the final EIS being issued in September.

We are also very close to completing a comprehensive environmental review of our animal damage control program. A draft EIS analyzing the impact of current ADC activities as well as possible alternatives was published in July 1990. Over 1,500 public comments were received, prompting a risk assessment to be undertaken that will be included in the final EIS. Because of this and numerous other revisions in response to the comments received, APHIS prepared a supplement to the draft EIS and made it available to the public in January 1993.

We have begun the process of preparing an EIS for our animal health programs, which will not only examine current program activities with a potential for affecting the environment but will also establish procedures for dealing with future site-specific needs for services, many of which are of an emergency

nature and would require immediate attention. Issues that have been identified for analysis are the use of pesticides, depopulation, future emergency site-specific activities, laboratory and operational facilities, transmission of diseases between domestic animals and wildlife, mitigation, and the compatibility of available technologies with environmental quality objectives.

Adjusting the Agency's focus from eradication of selected diseases toward monitoring of animal health for economic significance and food safety.

In the past, the APHIS budget structure reflected the Agency's focus on eradicating certain diseases. While still important, such eradication campaigns do not totally reflect APHIS' general mission of protecting animal health and, ultimately, human health. APHIS now plans to ensure, and will adjust its budget to reflect, its capability for consistent disease surveillance and detection, emergency disease preparedness and response, animal health monitoring, and epidemiological delivery without direct ties to traditional animal disease eradication programs. The emphasis is on overall animal health rather than disease, thus helping directly and indirectly to ensure food safety both by helping make animals healthier in production, and by providing vital traceback capabilities -- the need for

which was demonstrated recently by the tragic E. coli outbreak in the Northwest. However, as we make the transition to a focus on animal health, we will remain as dedicated as ever to completing successfully our brucellosis, tuberculosis, and pseudorabies programs. These cooperative Federal-State-industry efforts have achieved great success and we fully intend to, and will, finish the job.

Our work to control Salmonella enteritidis (SE), a poultry disease and a serious public health concern, is an example of how APHIS has a key role in food safety. SE has been found in many domestic commercial egg-laying chicken flocks and has infected commercial table eggs, causing human illness and death. Our SE traceback program is helping to reduce the spread of the disease as well as reducing the human illnesses and deaths caused by egg-related SE. Through the combined efforts of APHIS, egg producers, restaurants, consumers, industry representatives, and other government agencies, it should be possible to decrease human SE outbreaks from the current 60 per year to 25 by the year 2000, which is the agreed upon Food and Drug Administration/Centers for Disease Control target level.

Establishing cooperative partnerships rather than Federally mandated and funded programs.

In many APHIS programs, there has been close cooperation among producers, industry groups, and government. Our challenge is to make this the norm. The latest example is the scrapie voluntary flock certification program that took effect on October 1, 1992. This program, which represents a clear change for the better from the earlier unsatisfactory program, resulted from negotiated rulemaking -- a cooperative effort between producers, accredited veterinarians, allied industry representatives, State animal health officials, and APHIS.

Another prime example is the cooperative Federal-State-industry pseudorabies eradication program. Program standards were developed by APHIS, State officials, and industry leaders. To participate, a State must establish a State pseudorabies committee consisting of swine producers, animal scientists, veterinarians, State and Federal regulatory officials, and other swine industry representatives. Pseudorabies eradication offers producers alternatives to eliminate the disease without requiring costly slaughter and indemnity. It also leverages new biotech diagnostic and vaccine products.

The boll weevil program serves as another example of a highly successful cooperative eradication program that has yielded enormous economic benefits to producers. In this case, APHIS pays 30 percent of program costs and cooperators pay 70 percent.

Cooperators also help fund field operations of the animal damage control program. These agricultural groups pay, on average, 50 percent of program costs in the western States and up to 100 percent of the direct costs on special projects.

Facilitating the safe development of biotechnology in agriculture.

In today's world of rapidly evolving technologies and continual scientific breakthroughs, APHIS is constantly challenged to keep pace with the growing awareness of the economic and social implications of biotechnology. Our challenge is to safeguard American agriculture and provide a regulatory framework which removes uncertainty and establishes appropriate regulatory oversight. In October 1992, the Agency granted a petition by Calgene, Inc., to remove from regulatory restrictions the company's genetically modified tomato, the FLAVR SAVR™. The decision marked the first release of a transgenic agricultural product from special permitting constraints. Our determination

was based on data from eight field tests of the tomato along with other information showing that it poses no plant or environmental health risk. Calgene is now awaiting Food and Drug Administration decisions on two petitions relating to the tomato's food safety.

In November 1992, we proposed to add an alternative to our existing permit requirements regulating the movement and release of certain genetically modified plants. Our proposal provides for a notification process as an alternative means of oversight for the movement and release of specified crop plants. The notification proposal is based on nearly six years of permitting experience which reveals that environmental risks will be minimal if an introduction is conducted in accordance with specified eligibility requirements and performance standards. Certain transgenic plants and classes of microorganisms that are considered regulated articles would still require a permit for introduction. APHIS proposed the notification process along with a petition process for determining whether an organism should continue to be regulated, based on an absence of plant pest risk. The majority of commentors to the proposal expressed approval in principle for this alternative for the introduction of those organisms that pose no significant risk to agriculture, human health, or the environment.

Biotechnology offers the potential to revolutionize global agriculture, add value to our exports, ensure safer, more environmentally sensitive products, and provide some hope of feeding the 10 billion people expected on Earth by 2025.

Working with other countries for mutual benefits.

We have often cooperated with other countries to protect our agricultural health and help others to develop their industries. Such cooperation will be even more crucial in the future. For example, APHIS works with international organizations, other Federal agencies, the States, and universities in conducting a number of biological control projects. This activity is crucial because often pests and diseases enter the United States from other countries unaccompanied by the natural enemies that mitigate their damage in their native countries. An example is the Asian gypsy moth (AGM), a primary pest in Russia. APHIS and the U.S. Forest Service worked closely with State agencies in Washington and Oregon to eradicate the infestations in FY 1992. In addition, APHIS worked with Canadian and Commonwealth of Independent States officials to assess the situation in Russia and evaluate the risk of further introductions into Canada and this country. Along with the Forest Service, we are continuing to work with our Russian counterparts to conduct critical

entomological research and population monitoring at ports and the surrounding areas in Russia. The results of this work will help us to develop procedures for reducing and eliminating the risk of exotic pest movement on cargo, containers, and carriers.

As mentioned, we have a record of outstanding cooperation with other countries. The screwworm program is an example of successful biocontrol and international cooperation, one that was well ahead of its time. Screwworm eradication began as an experimental project in Florida during the 1950's. The program was so successful using sterile flies that by 1966 the United States was declared screwworm-free. APHIS continues to successfully prevent screwworm reintroduction into the United States. In FY 1992, an outbreak of screwworm occurred in Mexico after that country had been declared screwworm-free in February 1991. In response to this outbreak, the United States and Mexico initiated an emergency eradication effort involving intensive field surveillance and sterile fly dispersal in the affected areas. No new specimens have been collected since September 30, 1992. In addition to Mexico, the eradication program is active in Guatemala, Belize, El Salvador, Honduras, and Nicaragua. We are on target to push the screwworm to Panama before the end of the century.

Successfully fulfilling our role in the stewardship of animals.

As an Agency of many veterinarians and wildlife biologists, we have a special understanding of animals, as well as a legal mandate. We pledge to fulfill our mandate. Last year we conducted 18,595 inspections across the U.S. to ensure the proper care of animals under the Animal Welfare Act (AWA). A number of animal welfare organizations and individuals have raised concerns recently over the use of animals in bear wrestling, photography sessions, and other exhibition activities that involve contact with humans, citing the risks to both the people and the animals involved. The AWA does not prohibit such activities. However, our standards specifically require that, in addition to being provided proper housing, sanitation, food, water, transportation, and veterinary care, exhibit animals must be handled so they do not pose a danger to the public or experience unnecessary discomfort or physical harm.

Under the Horse Protection Act (HPA), APHIS works closely with the horse show industry to eliminate the soring of horses, to prevent sore horses from being shown, and to ensure that violators of the HPA are penalized. APHIS has developed a system of industry self-regulation known as the Designated Qualified Person (DQP) program, whereby we certify horse industry organizations and associations to train and license individuals

to detect sore horses. Over the past year, we have received some criticism from individuals who own or show horses and who believe that HPA enforcement is subjective and unfair. In an additional effort to ensure that the HPA is administered effectively and fairly, we recently published amendments to the HPA regulations to further standardize DQP inspection procedures.

The ADC program works to protect livestock and crops from depredating mammals and birds. In carrying out this responsibility, the program strives to alleviate damage caused by wildlife to agricultural and natural resources through an integrated pest management approach. Nonlethal methods of control are used whenever practicable. At least 50 percent of the ADC research budget is devoted to hastening the development and implementation of non-lethal alternative methods. Although most program activities are conducted on private land, ADC operates on approximately 10 percent of the federally managed lands in the United States where Federal laws mandate multiple-use management of public lands. For a fee, ranchers and farmers can obtain permits from land management agencies to graze their livestock on public rangelands. The ADC program conducts control activities on public lands for livestock protection only when requested and authorized to do so by the responsible land management agency, and only as stipulated in a written agreement containing specific guidelines. These restrictions ensure that

control efforts pose no significant risks to the environment, wildlife populations, or public safety.

CONCLUSION

Since its inception, APHIS has played a crucial role in protecting American agriculture. In this role, we will continue to face many challenges relating to plant and animal pest and disease conditions, increases in agricultural production and trade, and rising public concerns about food safety, environmental quality, and the humane treatment of animals. Because of production, marketing, and public expectations, changes are needed in prevention, control, and eradication strategies. There is a shifting emphasis from animal and plant pest and disease control to animal and plant health, and a corresponding new emphasis on monitoring and surveillance to ensure the health and safety of agricultural products.

We appreciate the Committee's strong support of our programs in the past, and look forward to meeting the challenge of protecting and strengthening American agriculture in the future. We will be happy to answer any questions.

ANIMAL AND PLANT HEALTH INSPECTION SERVICE**Purpose Statement**

The Animal and Plant Health Inspection Service (APHIS) was established by the Secretary of Agriculture on April 2, 1972, under the authority of the Reorganization Plan No. 2 of 1953 and other authorities. The primary mission of APHIS is to protect the Nation's animal and plant resources from diseases and pests in order to preserve the marketability of U.S. agricultural products within this country and abroad. The mission is carried out under the major areas of activity, as follows:

Pest and Disease Exclusion: The Agency conducts inspection and quarantine activities at U.S. ports-of-entry to prevent the introduction of exotic animal and plant diseases and pests. The Agency also participates in inspection, survey, and control activities in foreign countries to reinforce its domestic activities. User fees cover phytosanitary certificates and inspection services for international passengers, and commercial vessels, aircraft, trucks, and railroad cars.

Plant and Animal Health Monitoring: The Agency conducts programs to assess animal and plant health, detect endemic and exotic diseases and pests, and ensure compliance with interstate movement and other disease control regulations within the jurisdiction of the Agency.

Pest and Disease Management Programs: The Agency carries out programs to control and eradicate plant pest infestations and animal diseases that threaten the United States; reduce agricultural losses caused by predatory animals, birds, and rodents; provide technical assistance to other cooperators such as States, counties, and farmer or rancher groups, and foundations.

Animal Care: The Agency conducts regulatory activities which ensure the humane care and treatment of animals and horses as required by the Animal Welfare and Horse Protection Acts. These activities include inspection of certain establishments which handle animals intended for research, exhibition, and as pets, and monitoring of certain horse shows.

Scientific and Technical Services: The Agency performs other regulatory activities, including the development of standards for the licensing and testing of veterinary biologicals to ensure their safety and effectiveness; diagnostic activities in support of the control and eradication programs in other functional components; applied research aimed at reducing economic damage from vertebrate animals; development of new pest and animal damage control methods and tools; and regulatory oversight of genetically engineered products.

As of September 30, 1992, there were 5,096 permanent full-time employees and 1,509 other than permanent full-time employees. Of the total, 934 permanent full-time employees and 76 other than permanent full-time employees work in central offices in the Washington metropolitan area. The field activities are managed on a national basis through 10 regional offices and 484 field offices, including area offices, work stations, technical centers, and animal import centers. Much of the work is conducted in cooperation with State and local agencies, private groups, and foreign governments. Most of APHIS' work is conducted at field locations in the 50 States, Guam, Puerto Rico, Virgin Islands, Mexico, Central America, South America, the Caribbean, Western Europe, Australia, Asia, and Africa.

ANIMAL AND PLANT HEALTH INSPECTION SERVICE

Available Funds and Staff-Years

1992 Actual and Estimated, 1993 and 1994

Item	1992 Actual		1993 Estimated		1994 Estimated	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
Appropriated:						
Salaries and Expenses.....	\$345,577,000	4,419	\$349,538,000	4,544	\$346,625,000	4,343
Transfer to Office of the Secretary.....	-98,000	--	-212,000	--	--	--
Agricultural quarantine inspection user fees.....	85,362,000	1,427	83,362,000	1,566	91,460,000	1,604
Emergency transfers (CCC).....	17,382,670	98	25,860,000	--	--	--
Puerto Rico cattle tick.....	10,825,000	--	10,825,000	--	--	--
Buildings and Facilities.....	21,396,000	--	10,400,000	--	10,272,000	--
	480,444,670	5,944	479,773,000	6,110	448,357,000	5,947
Obligations under other USDA Appropriations:						
Agricultural Cooperative Service for administrative support.....	145,549	3	146,000	3	146,000	3
Agricultural Marketing Service for administrative and technical support.....	2,103,160	27	2,103,000	27	2,308,000	30
Agricultural Research Service:						
for administrative support.....	7,000	--	7,000	--	7,000	--
for plant control.....	102,799	--	103,000	--	103,000	--
for animal control.....	13,800	--	14,000	--	14,000	--
Agricultural Stabilization and Conservation Service:						
for contamination and residue testing.....	39,000	--	39,000	--	39,000	--
Allocation from Hazardous waste.....	202,000	--	149,000	--	50,000	--
Food and Nutrition Service for cattle tick program in Puerto Rico.....	--	--	--	--	10,825,000	--
Federal Grain Inspection Service for administrative support.....	1,032,000	31	1,032,000	31	1,237,000	33
Food Safety and Inspection Service for administrative support.....	30,118	--	30,000	--	30,000	--

Item	1992 Actual		1993 Estimated		1994 Estimated	
	Amount	Staff- Years	Amount	Staff- Years	Amount	Staff- Years
Human Nutrition Information Service: for administrative support.....	95,194	--	95,000	--	95,000	--
for systems furniture.....	280,000	--	--	--	--	--
Office of International Cooperation and Dev. for employee services and training and animal damage control.....	708,039	--	709,000	--	709,000	--
Office of Inspector General for administrative support.....	19,341	--	19,000	--	19,000	--
Packers and Stockyards Administration for administrative support.....	288,000	6	288,000	6	288,000	6
Total, Other Agriculture Appropriations.....	5,066,000	67	4,734,000	67	15,870,000	72
Total, Agriculture Appropriations.....	485,510,670	6,011	484,507,000	6,177	464,227,000	6,019
Other Federal Funds:						
Department of Energy for animal damage control activities.....	2,000	--	2,000	--	2,000	--
Department of the Interior: Fish and Wildlife Service for animal damage control activities.....	200,642	--	201,000	--	201,000	--
Bureau of Land Management for animal damage control activities.....	2,200	--	2,000	--	2,000	--
Bureau of Indian Affairs for animal damage control activities.....	5,048	--	5,000	--	5,000	--
Department of Transportation (NOAA) for animal damage control activities.....	4,646	--	5,000	--	5,000	--
Department of Treasury for shuttle service.....	69,147	--	70,000	--	70,000	--
Federal Aviation Administration for animal damage control.....	724,000	--	724,000	--	724,000	--
Forest Service: for animal damage control, and gypsy moth control.....	638,108	--	638,000	--	638,000	--

Item	1992 Actual		1993 Estimated		1994 Estimated	
	Amount	Staff- Years	Amount	Staff- Years	Amount	Staff- Years
Tennessee Valley Authority for animal damage control activities.....	53,525	--	54,000	--	54,000	--
U.S. Postal Service for animal damage control activities.....	2,800	--	--	--	--	--
U.S. Air Force for animal damage control activities.....	19,875	--	20,000	--	20,000	--
U.S. Army for animal damage control activities.....	478,035	--	478,000	--	478,000	--
U.S. Marine Corps for animal damage control activities.....	66,200	--	66,000	--	66,000	--
U.S. Navy: for preclearance activities.....	85,000	--	85,000	--	85,000	--
for animal damage control activities.....	297,774	--	298,000	--	298,000	--
Total, Other Federal Funds	2,649,000	--	2,648,000	--	2,648,000	--
Total, Federal Funds.....	488,159,670	6,011	487,155,000	6,177	466,875,000	6,019
<u>Reimbursements:</u>						
Funds from State and local governments for animal damage control activities.....	5,169,446	121	5,500,000	121	5,000,000	228
California Department of Food and Agriculture for inspection services.....	1,748,545	51	3,400,000	51	2,600,000	51
Illegally imported birds.....	117,868	--	180,000	--	180,000	--
Import-Export user fees.....	862,207	--	8,100,000	118	4,200,000	99
Phytosanitary certificate user fees.....	2,005,582	8	3,368,000	10	3,321,000	20
Reimbursable overtime.....	10,293,134	--	9,738,000	--	10,782,000	--
Truman Animal Import Center.....	923,362	--	1,000,000	--	900,000	--
Veterinary diagnostics user fees.....	--	--	1,800,000	--	1,500,000	--

Item	1992 Actual		1993 Estimated		1994 Estimated	
	Amount	Staff- Years	Amount	Staff- Years	Amount	Staff- Years
Trust Funds:						
Feed, care, and attendants for animals in quarantine...	528,519	23	533,000	23	553,000	23
Miscellaneous Contributed Funds	6,267,829	30	6,570,000	30	6,368,000	30
Total, Non-Federal Funds.	27,916,492	233	40,189,000	353	35,404,000	451
Total, Animal and Plant Health Inspection Service.	516,076,162	6,244	527,344,000	6,530	502,279,000	6,470

ANIMAL AND PLANT HEALTH INSPECTION SERVICE
Permanent Positions by Grade and Staff-Year Summary
1992 and Estimated 1993 and 1994

Grade	1992			1993			1994		
	Headquarter	Field	Total	Headquarter	Field	Total	Headquarter	Field	Total
ES-6	1	0	1	1	0	1	1	0	1
ES-5	6	2	8	6	2	8	6	2	8
ES-4	5	5	10	5	5	10	5	5	10
ES-3	2	1	3	2	1	3	2	1	3
ES-2	1	1	2	1	1	2	1	1	2
ES-1	2	0	2	2	0	2	2	0	2
GS/GM-15	54	27	81	54	27	81	53	27	80
GS/GM-14	164	121	285	164	121	285	163	120	283
GS/GM-13	165	263	428	165	263	428	164	262	426
GS-12	108	569	677	108	599	707	108	599	707
GS-11	72	483	555	72	508	580	72	508	580
GS-10	1	1	2	1	1	2	1	1	2
GS-09	71	1,067	1,138	71	1,267	1,338	69	1,223	1,292
GS-08	17	27	44	17	27	44	17	27	44
GS-07	75	586	661	75	589	664	75	589	664
GS-06	70	157	227	70	157	227	70	157	227
GS-05	85	494	579	85	491	576	85	491	576
GS-04	49	347	396	49	347	396	49	347	396
GS-03	11	29	40	11	29	40	11	29	40
GS-02	1	2	3	1	2	3	1	2	3
Other Graded Positions.....	22	368	390	22	368	390	22	368	390
Ungraded Positions	0	114	114	0	114	114	0	114	114
Total Permanent Positions	982	4,664	5,646	982	4,919	5,901	977	4,873	5,850
Unfilled Positions End-of-Year.....	-38	-512	-550	-38	-487	-525	-38	-485	-523
Total, Permanent Employment, End-of-Year.....	944	4,152	5,096	944	4,432	5,376	939	4,388	5,327
Staff-Years:									
Ceiling.....	1,005	5,239	6,244	922	5,608	6,530	905	5,565	6,470

ANIMAL AND PLANT HEALTH INSPECTION SERVICE

CLASSIFICATION BY OBJECTS1992 and Estimated 1993 and 1994

	<u>1992</u>	<u>1993</u>	<u>1994</u>
Personnel Compensation:			
Headquarters.....	\$41,163,446	\$41,904,000	\$41,648,000
Field.....	<u>164,653,784</u>	<u>172,336,000</u>	<u>166,684,000</u>
11 Total personnel compensation.....	205,817,230	214,240,000	208,332,000
12 Personnel benefits.....	46,118,108	45,649,000	45,720,000
13 Benefits for former personnel.....	<u>622,269</u>	<u>700,000</u>	<u>716,000</u>
Total personnel compensation and benefits.....	252,557,607	260,589,000	254,768,000
Other Objects:			
21 Travel.....	16,089,241	19,577,000	13,707,000
22 Transportation of things.....	5,972,047	5,233,000	4,487,000
23.2 Rental payments to others.....	4,785,026	3,659,000	3,645,000
23.3 Communications, utilities and miscellaneous charges.....	14,219,187	15,858,000	15,416,000
24 Printing and reproduction	1,475,561	648,000	598,000
25.2 Other services.....	79,961,121	70,687,000	61,006,000
26 Supplies and materials...	27,477,279	35,076,000	25,878,000
31 Equipment.....	24,249,577	26,656,000	26,602,000
32 Lands and structures....	52,164	27,000	27,000
41 Grants, contributions and subsidies.....	25,185,173	25,795,000	26,494,000
42 Insurance claims and indemnities.....	3,002,233	5,547,000	5,435,000
43 Interest and dividends...	<u>50,000</u>	<u>21,000</u>	<u>22,000</u>
Total other objects.....	<u>202,518,609</u>	<u>208,784,000</u>	<u>183,317,000</u>
Total direct obligations.....	<u>455,076,216</u>	<u>469,373,000</u>	<u>438,085,000</u>
<u>Position Data:</u>			
Average Salary, ES positions...	\$103,000	\$106,811	\$108,947
Average Salary, GM/GS positions.....	39,500	40,960	41,667
Average grade, GM/GS positions.	8.61	8.61	8.61

ANIMAL AND PLANT HEALTH INSPECTION SERVICE

The estimates include appropriation language for this item as follows (new language is underscored; deleted matter is enclosed in brackets):

Salaries and Expenses:

For expenses, not otherwise provided for, including those pursuant to the Act of February 28, 1947, as amended (21 U.S.C. 114b-c), necessary to prevent, control, and eradicate pests and plant and animal diseases; to carry out inspection, quarantine, and regulatory activities; to discharge the authorities of the Secretary of Agriculture under the Act of March 2, 1931 (46 Stat. 1468; 7 U.S.C. 426-426b); and to protect the environment, as authorized by law, [\$432,900,000,] \$438,085,000, of which [\$83,362,000] \$91,460,000 shall be derived from user fees deposited in the Agricultural Quarantine Inspection User Fee Account, and of which \$5,000,000 shall be available for the control of outbreaks of insects, plant diseases, animal diseases and for control of pest animals and birds to the extent necessary to meet emergency conditions: Provided, That [\$500,000 of the funds for control of the fire ant shall be placed in reserve for matching purposes with States which may come into the program:] if the demand for Agricultural Quarantine Inspection (AQI) user fee financed services is greater than expected and/or other uncontrollable events occur, the Agency may exceed the AQI User Fee limitation by up to 10 percent, provided such funds are available in the Agricultural Quarantine Inspection User Fee Account, and with notification to the Appropriations Committees: Provided further, That no funds shall be used to formulate or administer a brucellosis eradication program for the current fiscal year that does not require minimum matching by the States of at least 40 per centum: Provided further, That this appropriation shall be available for field employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed \$40,000 shall be available for employment under 5 U.S.C. 3109: Provided further, That this appropriation shall be available for the operation and maintenance of aircraft and the purchase of not to exceed four, of which two shall be for replacement only: Provided further, That, in addition, in emergencies which threaten any segment of the agricultural production industry of this country, the Secretary may transfer from other appropriations or funds available to the agencies or corporations of the Department such sums as he may deem necessary, to be available only in such emergencies for the arrest and eradication of contagious or infectious disease or pests of animals, poultry, or plants, and for expenses in accordance with the Act of February 28, 1947, as amended, and section 102 of the Act of September 21, 1944, as amended, and any unexpended balances of funds transferred for such emergency purposes in the next preceding fiscal year shall be merged with such transferred amounts[: Provided further, That none of these funds shall be used to develop, establish, or operate any user fee program for agricultural quarantine and inspection to prevent the movement of exotic pests and diseases from Hawaii and Puerto Rico as authorized by 31 U.S.C. 9701: Provided further, That none of these funds shall be used to pay the salary of any Department veterinarian or Veterinary Medical Officer who, when conducting inspections at horse shows, exhibitions, sales, or auctions under the Horse Protection Act, as amended (15 U.S.C. 1821-1831), relies solely on the use of digital palpation as the only diagnostic test to determine whether or not a horse is sore under such Act].

The first change eliminates the language that places funds in reserve for the imported fire ant control matching program. The FY 1994 budget does not provide funds for an imported fire ant program.

The second change provides for the Agricultural Quarantine Inspection User Fee program to exceed any budget limitations by up to 10 percent should demand for services and revenues warrant.

The third change eliminates language which would restrict the Secretary from spending appropriated funds for the development of agricultural quarantine and inspection program user fees for Hawaii and Puerto Rico.

The fourth change eliminates language which would restrict funds being used to pay salaries of Department employees using specific diagnostic tests to determine if a horse has been sore. This language is unnecessary because APHIS already has in place a policy of using a combination of diagnostic means to determine soreness in horses.

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ANIMAL AND PLANT HEALTH INSPECTION SERVICE

SALARIES AND EXPENSES

Appropriations Act, 1993.....	\$432,900,000
Budget Estimate, 1994.....	<u>438,085,000</u>
Increase in Appropriations.....	<u>+5,185,000</u>

Adjustments in 1993:

Appropriations Act, 1993.....	432,900,000	
Activities transferred per Secretary's transfer authority.....	<u>-212,000</u>	
Adjusted Base for 1993		432,688,000
Budget Estimate, 1994.....		<u>438,085,000</u>
Increase over adjusted 1993.....		<u>+5,397,000</u>

SUMMARY OF INCREASES AND DECREASES

(On basis of adjusted appropriation)

<u>Item of Change</u>	<u>1993 Estimated</u>	<u>Pay Costs</u>	<u>Other Changes</u>	<u>1994 Estimated</u>
Agricultural quarantine inspection-appropriated.	\$22,717,000	+\$571,000	+\$1,262,000	\$24,550,000
Agricultural quarantine inspection-user fees....	83,362,000	+1,546,000	+6,552,000	91,460,000
Foot and mouth disease...	3,891,000	+11,000	+195,000	4,097,000
Import-export inspection.	8,000,000	+88,000	-2,951,000	5,137,000
International programs...	4,675,000	+49,000	+1,175,000	5,899,000
Mediterranean fruit fly..	10,213,000	+69,000	+45,000	10,327,000
Mexican fruit fly.....	1,700,000	+27,000	+573,000	2,300,000
Screwworm.....	34,645,000	+86,000	+158,000	34,889,000
Pest detection.....	3,976,000	+51,000	-540,000	3,487,000
Biocontrol.....	4,599,000	+124,000	+3,481,000	8,204,000
Boll weevil.....	13,135,000	+92,000	-3,361,000	9,866,000
Brucellosis.....	33,000,000	+265,000	-1,872,000	31,393,000
Cattle ticks.....	6,172,000	+106,000	-1,623,000	4,655,000
Golden nematode.....	862,000	+13,000	-209,000	666,000
Grasshopper-Mormon cricket.....	6,350,000	+53,000	-2,764,000	3,639,000
Money bee pest.....	531,000	+10,000	-156,000	385,000
Imported fire ant.....	3,698,000	--	-3,698,000	--
Noxious weeds.....	625,000	+3,000	-147,000	481,000
Pink bollworm.....	2,292,000	+24,000	-1,238,000	1,078,000
Pseudorabies.....	4,143,000	+16,000	-671,000	3,488,000
Russian wheat aphid.....	2,400,000	--	-2,400,000	--
Scrapie.....	846,000	+33,000	+2,590,000	3,469,000
Sweetpotato whitefly.....	3,000,000	+48,000	+510,000	3,558,000
Tuberculosis.....	3,860,000	+35,000	+1,712,000	5,607,000

¹ Reflects the FY 1993 transfer of \$212,000 pursuant to the authority provided by the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriation Act, 1993. This authority provided that the Secretary of Agriculture could transfer salaries and expenses funds to meet workload requirements.

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<u>Item of Change</u>	<u>1993 Estimated</u>	<u>Pay Costs</u>	<u>Other Changes</u>	<u>1994 Estimated</u>
Witchweed.....	5,386,000	+41,000	-1,295,000	4,132,000
ADC methods development..	9,517,000	+121,000	-139,000	9,499,000
Biotechnology/ environmental protection.....	7,652,000	+84,000	-85,000	7,651,000
Integrated systems acquisition project.....	2,507,000	--	+2,505,000	5,012,000
Veterinary biologics.....	9,729,000	+182,000	+654,000	10,565,000
Veterinary diagnostics...	14,335,000	+163,000	+635,000	15,133,000
Other.....	<u>124,870,000</u>	<u>1,756,000</u>	<u>+832,000</u>	<u>127,458,000</u>
Total Available.....	<u>432,688,000</u>	<u>+5,667,000</u>	<u>-270,000</u>	<u>438,085,000</u>

PROJECT STATEMENT
(On Basis of Appropriation and Available Funds)

Project	1992 Actual		1993 Estimated		Increase or Decrease	1994 Estimated	
	Amount	Staff- Years	Amount	Staff- Years		Amount	Staff- Years
1. Pest and Disease Exclusion:							
(a) Agricultural quarantine inspection (Appropriated).....	\$20,397,281	502	\$22,717,000	570	1,833,000	24,550,000	600
(b) Agricultural quarantine inspection (User fees).....	85,355,907	1,474	83,362,000	1,566	8,098,000	91,460,000	1,604
(c) Foot-and-mouth disease.....	3,884,938	13	3,891,000	11	206,000	4,097,000	11
(d) Import-Export inspection.....	10,930,836	218	8,000,000	156	-2,863,000	5,137,000	91
(e) International programs.....	4,396,993	41	4,675,000	48	1,224,000	5,899,000	50
(f) Mediterranean fruit fly exclusion.....	10,308,341	84	10,213,000	73	114,000	10,327,000	73
(g) Mexican fruit fly exclusion...	1,761,252	24	1,700,000	24	600,000	2,300,000	25
(h) Screwworm.....	33,959,016	91	34,645,000	91	244,000	34,889,000	91
Total, Pest and Disease Exclusion.....	170,994,564	2,447	169,203,000	2,539	(1) 9,456,000	178,659,000	2,545
2. Plant and Animal Health Monitoring:							
(a) Animal health monitoring & surveillance.....	59,742,624	659	59,632,000	657	1,052,000	60,684,000	657
(b) Animal and plant health regulatory enforcement.....	5,904,459	141	5,790,000	131	132,000	5,922,000	129
(c) Fruit fly detection.....	3,685,250	51	3,941,000	51	59,000	4,000,000	51
(d) Pest detection.....	3,969,806	69	3,976,000	62	-489,000	3,487,000	53
Total, Plant and Animal Health Monitoring.....	73,302,139	920	73,339,000	901	(2) 754,000	74,093,000	890
3. Pest and Disease Management:							
(a) Animal damage control operations.....	25,644,773	504	25,612,000	525	605,000	26,217,000	525
(b) Biocontrol.....	5,140,979	120	4,599,000	112	3,605,000	8,204,000	126
(c) Boll weevil.....	12,016,251	119	13,135,000	104	-3,269,000	9,866,000	95
(d) Brucellosis.....	32,120,031	290	33,000,000	287	-1,607,000	31,393,000	255
(e) Cattle ticks.....	5,968,385	131	6,172,000	138	-1,517,000	4,655,000	110
(f) Golden nematode.....	860,657	20	862,000	15	-196,000	666,000	13
(g) Grasshopper and Mormon cricket.....	3,844,002	36	3,850,000	57	-211,000	3,639,000	55
(h) Grasshopper and Mormon cricket: no-year.....	4,121,876	—	2,500,000	—	-2,500,000	—	—
(i) Gypsy moth.....	5,139,958	109	5,148,000	104	120,000	5,268,000	104
(j) Honeybee pests.....	540,173	4	531,000	10	-146,000	385,000	8
(k) Imported fire ant.....	3,410,186	30	3,698,000	28	-3,698,000	—	—
(l) Miscellaneous plant disease.....	2,954,418	30	1,988,000	39	33,000	2,021,000	39
(m) Noxious weeds.....	818,723	12	625,000	4	-144,000	481,000	3
(n) Pink bollworm.....	2,792,000	23	2,292,000	26	-1,214,000	1,078,000	18
(o) Pseudorabies.....	3,771,116	34	4,143,000	50	-655,000	3,488,000	33
(p) Russian wheat aphid.....	2,396,261	12	2,400,000	12	-2,400,000	—	—
(q) Salmonella enteritidis.....	—	—	3,400,000	48	54,000	3,454,000	48
(r) Scrapie.....	954,682	14	846,000	15	2,623,000	3,469,000	32
(s) Sweet potato whitefly.....	—	—	3,000,000	44	558,000	3,558,000	47
(t) Tuberculosis.....	3,153,242	37	3,860,000	56	1,747,000	5,607,000	56
(u) Witchweed.....	5,377,609	80	5,386,000	65	-1,254,000	4,132,000	32
Total, Pest and Disease Management.....	121,025,322	1,605	127,047,000	1,739	(3) -9,466,000	117,581,000	1,599
4. Animal Care:							
(a) Animal welfare.....	9,093,908	176	9,188,000	177	190,000	9,378,000	177
(b) Horse protection.....	353,405	8	358,000	8	8,000	366,000	6
Total, Animal Care.....	9,447,313	184	9,546,000	185	(4) 198,000	9,744,000	183
5. Scientific and Technical Services:							
(a) Animal control methods development.....	9,502,174	142	9,517,000	127	-18,000	9,499,000	125
(b) Biotechnology environmental protection.....	7,503,351	60	7,652,000	95	-1,000	7,651,000	92
(c) Integrated systems acquisition project.....	1,077,994	—	2,507,000	5	2,505,000	5,012,000	17
(d) Plant methods development labs.....	5,172,912	93	5,025,000	106	123,000	5,148,000	107
(e) Veterinary biologics.....	9,675,802	192	9,729,000	190	836,000	10,565,000	191
(f) Veterinary diagnostics.....	14,807,668	175	14,335,000	173	798,000	15,133,000	173
Total, Scientific and Technical Services.....	47,739,901	662	48,765,000	696	(5) 4,243,000	53,008,000	705

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Project	1992 Actual		1993 Estimated		Increase or Decrease	1994 Estimated	
	Amount	Staff- Years	Amount	Staff- Years		Amount	Staff- Years
6. Contingencies: plant and animal diseases and pests.....	5,653,150	28	5,000,000	50	-	5,000,000	25
7. Transfer to the Office of the Secretary.....	-98,000	-	-212,000	-	212,000	-	-
Unobligated balance available start-of-year.....	-17,368,000	-	-	-	-	-	-
Unobligated balance available end-of-year.....	22,519,000	-	-	-	-	-	-
Unobligated balance expiring.....	1,025,000	-	-	-	-	-	-
Total, Available or estimate, salaries and expenses.....	434,240,389	5,846	432,688,000	6,110	5,397,000	438,085,000	5,947
8. Transfer to the Office of the Secretary.....	98,000	-	212,000	-	-212,000	-	-
Total, Appropriation, salaries and expenses.....	434,338,389	5,846	432,900,000	6,110	5,185,000	438,085,000	5,947
9. CCC Transfers: Fruit fly and Asian gypsy moth.....	17,382,670	98	25,860,000	-	-25,860,000	-	-
10. From FNS for cattle ticks.....	10,825,000	-	10,825,000	-	-10,825,000	-	-
11. Advances and reimbursements:							
(a) Federal.....	7,715,000	67	7,457,000	67	11,235,000	18,692,000	72
(b) Non-Federal.....	21,120,144	180	33,086,000	300	-4,603,000	28,483,000	398
Total, Advances and reimbursements.....	28,835,144	247	40,543,000	367	6,632,000	47,175,000	470
Total, Available or estimate g/.....	491,381,203	6,191	510,128,000	6,477	-24,868,000	485,260,000	6,417

g/ The figures in the project statement do not include carryover funds and transfers as follows:

No-Year and Emergency Programs

Project	1992 Actual	1993 Carry-Over	1993 Appropriated	1993 Available
(a) Animal damage control.....	5,188,446	--	--	--
(b) Grasshopper/Mormon Cricket reserve fund.....	4,121,876	14,080,012	2,500,000	18,560,012
(c) Contingency funds.....	5,953,150	2,928,500	5,000,000	7,928,500
(d) Fruit flies.....	8,187,448	1,201,826	26,980,000	27,141,826
(e) Pseudorabies.....	483,738	496	--	496
(f) Asian Gypsy Moth.....	8,800,536	1,054,678	--	1,054,678
(g) <i>Salmoneella enteritidis</i>	296,886	87,881	--	97,881
(h) ISAP.....	1,077,994	1,428,006	2,507,000	3,936,006
(i) Boll weevil.....	--	--	13,136,000	13,136,000
(j) 10% of Screenworm.....	--	--	3,495,000	3,495,000
Total.....	33,870,872	20,953,308	52,467,000	73,320,308

EXPLANATION OF PROGRAM

The Animal and Plant Health Inspection Service (APHIS) was established on April 2, 1972, pursuant to the authority of the Reorganization Plan No. 2 of 1953.

APHIS conducts cooperative programs with State and local agencies and organizations to control, eradicate, and prevent the movement of plant and animal diseases and pests. Inspection and regulatory programs prevent the introduction into the United States of pests and diseases of foreign origin and the spread of established pests within the country. Under the Federal Noxious Weed Act of 1974, the Agency carries out survey, regulatory, and control actions to protect American agriculture from the invasion and interstate spread of noxious weeds. APHIS, under the Endangered Species Act, regulates the import and export of designated endangered plant species and ensures that cooperative Federal-State pest control programs which utilize pesticides will not adversely affect endangered species. Under the Virus-Serum-Toxin Act, APHIS carries out activities to prevent the production and distribution of worthless, contaminated, dangerous, or harmful veterinary biologics. Under the authority of the Animal Welfare Act as amended, the Agency conducts activities to ensure that certain animals intended for use in research or for exhibition purposes are provided with humane care and treatment, to assure humane treatment of animals during transportation in commerce, and to prevent the sale or use of animals which have been stolen. APHIS, under the authority of the Horse Protection Act, works to prevent the interstate movement or exhibition of horses which have been "sored." Under the Swine Health Protection Act, the Agency conducts a Federal-State program to control the feeding of raw food waste to swine. APHIS, under the authority of the Animal Damage Control Act of 1931, researches and carries out cooperative programs to control wildlife-caused losses to agriculture, safety hazards at airports, and public nuisances in a variety of areas. APHIS, under authority of the Plant Pest Act, Plant Quarantine Act, and Virus-Serum-Toxin Act coordinates the development and implementation of the Department's regulation and evaluation of applications of a number of biotechnologically derived products for test permits and commercial licenses.

The APHIS "Salaries and Expenses" appropriation and user fees fund the following activities:

1. Pest and Disease Exclusion Programs -- APHIS carries out inspections at U.S. ports-of-entry to prevent the introduction of foreign plant and animal pests and diseases which are harmful to our country's agriculture. APHIS develops and conducts preclearance programs to ensure that foreign agricultural products destined for the United States do not present a risk to U.S. agriculture. APHIS engages in cooperative programs to control pests of imminent concern to the United States and to strengthen foreign plant protection and quarantine organizations. APHIS also certifies plants and plant products for export and regulates imports and exports of designated endangered plant species. APHIS assists U.S. exporters and the Foreign Agricultural Service in revising foreign plant and animal import regulations to encourage and increase U.S. agricultural exports.

The statutory authority supporting this program is contained in 7 U.S.C. 148 and 150aa-150jj; 19 U.S.C. 1306; and 21 U.S.C. 102, 111-120, 121-123, 127, and 135-135b. The principal legislative authorities for these activities include the Organic Act of 1944, as amended by P.L. 94-231, enacted March 15, 1976; the Plant Quarantine Act of 1912; and the Mexican Border Act of 1942. The Department's enforcement responsibilities for endangered plants are contained in the Endangered Species Act of 1973. The Airport and Airways Development Act, P.L. 94-353, Section 15(c), was enacted July 12, 1976. Section 2509 of the Food, Agriculture, Conservation, and Trade Act (Farm Bill) of 1990 as amended by Section 1203 of the 1991 Budget Reconciliation Bill authorizes user fees for agricultural quarantine inspection and import-export inspection. The activities carried out in the pest and disease exclusion programs are as follows:

- Agricultural Quarantine Inspection (AQI) - The purpose of the AQI program is to protect American agriculture from exotic pests and diseases and to facilitate the entry of United States agricultural

products into international markets. The program carries out its mission by inspecting the increasing amount of cargo and international air and sea passengers at ports-of-entry and pre-clearance stations. The AQI program also conducts inspections of cargo and people at the Mexican and Canadian borders. Each person, bag, carrier, or cargo item, entering this country could potentially carry exotic pests capable of causing a major outbreak. APHIS continues to implement innovative inspection techniques such as X-ray machines and detector dog teams to handle the increasing workload. The use of X-ray technology for passenger baggage has increased efficiency in passenger inspections. The detector dog teams are used at international airports and post offices for baggage and package inspections and have a success rate of 80 percent in finding concealed regulated items.

Foot-and-Mouth Disease (FMD) - The purpose of the FMD program is to prevent the disease in South America from entering Panama, Central America, Mexico, and the United States. An FMD eradication program carried out through a cooperative agreement, is continuing in Colombia. The program has remained successful in maintaining the area immediately adjacent to Panama free of FMD since 1984. Program methods include surveillance, inspection, quarantine, vaccination, and emergency preparedness. Cooperative FMD prevention agreements, using surveillance, disease investigation, and emergency preparedness are being maintained with Mexico, Panama, and all of the Central American countries. In addition, the Mexico program conducts prevention activities for all foreign animal diseases including African horsesickness, African swine fever, and avian influenza. The Mexico and Panama programs are maintaining high containment diagnostic laboratories. FMD is one of the most costly multi-host animal diseases. Estimates show that 15-year losses of more than \$20 billion could occur if FMD were to re-enter the United States.

Import/Export Inspection:

Import Animals - This program assures that all imported animals, including birds and poultry, are free of infectious diseases. Principal methods include inspection, testing, and certification of imported animals; inspection and approval of zoos, conveyance means, slaughter establishments, and ports-of-entry; quarantine and testing of imported animals; maintenance of animal import centers in Newburgh, New York; Miami, Florida; Honolulu, Hawaii; and Key West, Florida; authorization or operation of quarantine facilities for birds, horses, and sheep; and the interception of smuggled animals.

Import Animal Semen and Embryos - The animal germplasm import program is designed to establish strict standards for the collection, handling, and shipping of animal semen and embryos to prevent the entry of infectious animal diseases. APHIS verifies health certificates of donor animals, ensures that semen and embryos are identified and handled in a prescribed manner, and issues import permits for semen and embryo shipments.

Export Animals - The goal of the export animals program is to ensure that all inspections of livestock, live poultry, and hatching eggs exported from the United States, and certifications of freedom from contagious diseases, comply with U.S. Department of Agriculture (USDA) health agreements with importing countries. This function is vital to the protection and expansion of the U.S. animal export market, which was valued at approximately \$6 billion for FY 1991. Since FY 1992, user fees have financed testing and certification of exported live animals.

FY 1993 import-export program plans include: (1) continued development of a national center for the import and export of animals and animal products; (2) continued development of new protocols for camelids, deer, water buffalo, swine, wild ruminants, and various species of zoo animals; (3) negotiation of changes in export protocols to lessen testing and certification requirements for U.S. livestock and poultry exporters; (4) continuation of regulation changes regarding fetal

bovine serum imported from FMD countries; (5) review and proposal of changes in regulations for importing animal byproducts; (6) proposal of regulations to import cooked meat and dried, cured pork products from countries affected by FMD and other exotic animal diseases; (7) changing requirements for importation of domestic ruminants and pigs and for privately-owned import and quarantine facilities for horses; and (8) implementation of user fees to finance testing and certification of exported live animals.

International Programs - The objective of International Programs is to protect and promote United States agriculture by actively addressing pest and disease problems at their origin rather than waiting for them to arrive at our ports-of-entry and borders. Through International Programs APHIS maintains a presence in countries that are significant agricultural trading partners and may also be potential sources of economically dangerous agricultural pests and diseases. APHIS personnel at overseas locations, either on permanent assignment or short-term detail, provide an effective first line of defense against the entry of foreign plant and animal diseases and pests into our country. Their presence also facilitates the export of United States agricultural products, and promotes the exchange of science and technology in animal and plant health, by identifying and eliminating agricultural non-tariff trade barriers. They provide a timely link to sanitary and phytosanitary surveillance and up-to-date diagnostic and disease/pest control strategies practiced by countries dealing with those conditions.

Mediterranean Fruit Fly (Medfly) - The objective of the program is to prevent sustained Medfly infestations from occurring in the continental United States, Virgin Islands, Puerto Rico, Mexico, and north of the 16° N. latitude in Central America. The Medfly, which is found throughout most of Central America, is one of the world's most destructive pests of fruits and vegetables. It is capable of becoming established in fruit and vegetable growing regions in the continental United States. Approximately 80 percent of United States citrus production is susceptible to Medfly. The presence of Medfly in Mexico would pose a serious threat to the United States, due to Mexico's location and its importance as a major source of winter fruits and vegetables for the United States. APHIS is currently eradicating a localized outbreak that was detected in California in FY 1992. APHIS with some assistance from Hawaii and California, constructed a sterile fruit fly rearing facility in Waimanalo, Hawaii. The facility is capable of supplying 500 million sterile flies per week for emergency eradication programs. APHIS provides approximately 50 million pupae per week in support of the ARS eradication test project on Kauai, Hawaii. The project is an effort to develop effective, environmentally acceptable Medfly eradication technologies. Almost 36 billion Medflies were produced in rearing facilities in Mexico and Guatemala for the cooperative Moscamed program. This joint program with Mexico and Guatemala protects the United States by preventing the northward spread of Medfly into Mexico.

Mexican Fruit Fly (MFF) - The MFF, an insect pest of more than 40 species of fruit, periodically occurs in the United States, primarily in the lower Rio Grande Valley in southern Texas. Other citrus growing States such as Arizona, California, and Florida are vulnerable to MFF infestations either by migration of these flies across the northwestern border with Mexico, or from infested fruit being shipped to or through these States. Consequently, the program maintains suppression activities in the northwestern region of Mexico and regulatory programs in the Lower Rio Grande Valley and adjacent portions of Mexico. Additional regulatory and suppression activities in the lower Rio Grande Valley in southern Texas provide protection for the United States citrus industry. APHIS also successfully eradicated an outbreak in California in FY 1992.

A recent study by APHIS reveals that annual producer and trade costs would range from \$644 to \$658 million, if MFF were to become established in the United States. Projected losses to United States consumers could potentially reach \$488 million annually.

- **Screwworm** - Screwworm eradication began as an experimental project in Florida during the 1950's. The program was so successful that by 1966 the United States was declared screwworm-free. Continued reintroduction from Mexico led to a 1972 cooperative agreement to eradicate the pest from Mexico and establish a permanent barrier at the Isthmus of Tehuantepec. The program reached that barrier in 1984. However, large cattle movements from infested areas further south resulted in a high risk of reinfestation. A Memorandum of Understanding signed in January 1987, allowed the Screwworm Commission to move the barrier farther south.

The goal of the Screwworm program is to prevent the reintroduction of the parasitic screwworm into the United States by eradicating this insect in Mexico and Central America and establishing a permanent sustainable sterile fly barrier in Panama. In 1985, APHIS conducted a feasibility study of screwworm eradication in Central America. This study identified the Isthmus of Panama and the Guatemala/Honduras border as cost-beneficial locations for a permanent, sustainable sterile fly barrier.

Mexico was declared screwworm-free on February 25, 1991. On January 22, 1992, a mature screwworm larvae was collected in the Mexican State of Campeche. Subsequently, 60 more positive samples were reported in the southern Mexican States of Campeche, Chiapas, Tabasco, Veracruz, and the northern State of Tamaulipas near Ciudad Victoria which is only 121 miles south of the United States-Mexican border. Smuggled importation of cattle has been identified as the probable source of the infestations. Future activities will focus on Central America. APHIS is developing new cooperative agreements between the United States and individual Central American countries as the barrier progresses. Currently, the program is carrying out eradication activities in Guatemala, Belize, El Salvador, Honduras, and Nicaragua. Cooperative agreements with Costa Rica and Panama are expected to be signed in calendar year 1993.

The levels of pest and disease exclusion activities are shown by the selected examples that follow:

Program	1992 Actual	1993 Estimated	1994 Estimated
Agricultural quarantine inspection:			
Passenger inspections (millions).....	55	57	59
Pest interceptions (thousands).....	52	53	54
Plant and animal product and byproduct inspection:			
Airplanes (thousands).....	353	400	450
Vessels (thousands).....	48	53	57
Plant units processed (millions).....	408	445	485
Regulated and miscellaneous cargo inspections conducted (thousands).....	1,018	1,200	1,350
Phytosanitary export certification:			
Certificates issued (thousands).....	260	275	300
Interceptions (thousands):			
Unauthorized plant material.....	1,648	1,655	1,665
Unauthorized animal products/byproducts.....	249	251	254
Unauthorized material:			
Mail.....	4,500	4,700	4,900
Baggage.....	1,219	1,250	1,300
Intercepted endangered plant species:			
Seized and placed into rescue centers.....	12,896	12,896	12,896
Seized and returned to country of export.....	2,415	2,415	2,415
Number of shipments of plants seized:			
Rescue centers.....	917	917	917
Returned to country of export.....	13	13	13

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Program	1992 Actual	1993 Estimated	1994 Estimated
Foot-and-mouth disease:			
Exotic animal disease investigations in Mexico:			
Total investigations	2,936	780	300
Livestock investigations (excluding rabbits)	231	200	200
Investigations on rabbits	2,705	580	100
Vesicular disease investigations:			
in Panama	19	20	20
in Colombia	506	400	400
in Central America	141	145	145
in Mexico	75	75	75
Laboratory samples processed:			
in Mexico (excluding rabbits)	854	1,000	1,200
in Mexico (total)	28,663	11,000	2,200
in Panama	247	250	250
Import-Export program:			
Import inspection:			
Animals (thousands)	2,720	3,300	3,500
Personally owned pet birds	1,442	1,750	1,000
Commercial birds	271,913	280,000	100,000
Poultry (baby chick and poults - thousands)	6,721	7,600	7,600
Poultry hatching eggs (thousands)	19,999	20,000	21,000
Bovine, sheep, and equine semen	338,302	750,000	760,000
Bovine embryos	347	420	450
Export inspection:			
Cattle, swine, sheep, goats, and horses	1,280	1,560	1,500
Poultry (thousand)	32,282	41,000	55,000
Dozens of hatching eggs (thousands)	27,664	32,000	32,000
Bull semen (thousands)	2,609	3,500	3,500
Bovine embryos	2,614	23,000	20,000
Mediterranean fruit fly:			
Sterile insects released (millions):			
California	1,126	15,000	—
Hawaii	1,675	2,600	2,600
Guatemala	19,932	18,800	18,000
Mexico	8,720	11,000	13,000
Sterile insects produced (millions):			
Guatemala	8,387	8,500	10,000
Mexico	27,558	27,500	27,500
Jackson traps serviced by USDA (thousands):			
Mexico	21,208*	20,000*	20,000*
*Includes 9,101 traps serviced by the U.S.-Mexico cooperative Medfly program			
Mexican fruit fly:			
Sterile insects released (millions)			
Northwest Mexico	629	936	1,518
Northeast Mexico	44	44	44
California	1,107	—	—
Texas	227	420	1,040
McPhail traps serviced by USDA:			
Mexico	4,225	4,500	6,600*
*Includes 2,100 traps serviced cooperatively by Chihuahua			
Screwworm:			
Cases in the United States	—	—	—
Cases in Mexico	61	1	—
Cases in Guatemala	281	2	—
Cases in Belize	8	—	—
Cases in El Salvador	4,350	859	400
Cases in Honduras	1,197	623	311
Cases in Nicaragua	232	6,864	4,728
Cases in Costa Rica	—	—	500
Sterile fly production - Tuxtla Gutierrez, Mexico (millions/week)	260	250	300

2. **Plant and Animal Health Monitoring Programs** -- The plant and animal health monitoring programs are primarily cooperative efforts of the Federal and State governments, and industry. APHIS conducts programs to prevent communicable plant and animal diseases of foreign origin from entering the United States. Upon entrance into this country, the pests and diseases are rapidly diagnosed. The Agency also carries out surveys in cooperation with the States to detect harmful plant and animal pests and diseases. The programs also help determine if there is a need to establish new pest or disease eradication programs.

The statutory authority for this work is contained in 7 U.S.C. 15, 17, 30, 54, 391, 429, and 3801; 15 U.S.C. 44; 19 U.S.C. 4; 21 U.S.C. 4, 5, and 45; 46 U.S.C. 15; and 49 U.S.C. 20. Principal legislative authority for these activities is contained in the Act of May 29, 1884; Act of August 30, 1890; Act of February 2, 1903; Act of March 3, 1905; Act of June 17, 1930; Act of September 21, 1944; Act of February 28, 1947; Act of September 6, 1961; Act of July 2, 1962; and Public Law 97-46 of September 25, 1981; Act of October 14, 1982; Act of January 13, 1983; P.L. 99-198 of December 23, 1985.

- Animal Health Monitoring and Surveillance (AHMS) - The goal of the AHMS program is to maintain the capability for consistent disease surveillance and detection, emergency disease preparedness and response, animal health monitoring, and epidemiological delivery. The Agency conducts disease surveillance and detection for brucellosis, pseudorabies, tuberculosis, and selected domestic swine and poultry diseases such as velogenic viscerotropic Newcastle disease (VVND), avian influenza (AI), *Salmonella enteritidis* (SE), chlamydiosis (psittacosis-ornithosis), hog cholera, African Swine Fever, and FMD. APHIS carries out the control and eradication of animal pests through prompt detection, assessment, and appropriate response to incursions and epidemics.

In order to respond to foreign animal disease (FAD) outbreaks in livestock and poultry populations, the Agency has four Regional Emergency Animal Disease Eradication Organizations. These organizations, along with a cadre of Foreign Animal Disease Diagnosticians are ready to respond when a FAD is diagnosed.

APHIS directs successful animal health monitoring which requires national surveys of various animal populations to determine how operational practices of producers affect animal health and productivity. Statistically reliable data is disseminated regarding the incidence, trends, and economic impact of diseases of food animals. The information is used to improve the health of livestock and poultry through a variety of approaches including improved management practices, specific treatments, and prevention strategies.

The Agency defines and predicts the health and economic consequences of animal disease events and suggests appropriate responses. Also, it maintains the capability for disease investigations, risk assessment and management, disease prevention, analysis of animal health and production statistics, information dissemination, and coordination of activities with State animal health officials and other Federal agencies, diagnostic laboratories, and public health officials. APHIS collects and analyzes epidemiological data and serves as an information distribution center for State livestock agencies, industry, and the general public.

FY 1993 program plans include: surveillance and detection for all of the aforementioned diseases; supporting the National Animal Health Monitoring System (NAHMS) and the Veterinary Diagnostic Laboratory Reporting System (VDLRS); supporting the National Poultry Improvement Plan (NPIP), the U.S. Sanitation Monitored program, and the Model State Poultry Disease Prevention program; and enforcing and monitoring the Swine Health Protection (SHP) Act. APHIS will carry out the NAHMS and VDLRS by (1) enhancing surveillance and response capability and risk assessment techniques for FAD incursions and animal health issues affecting U.S. agricultural productivity and competitiveness; (2) analyzing and interpreting NAHMS national dairy heifer evaluation study data and disseminating results; (3) implementing NAHMS cow/calf health and productivity assessment in 18 States with collection of baseline information on spring calving success for 1993; (4) disseminating additional findings from NAHMS national swine survey through collaboration with professional and industry organizations and Extension Service; and (5) expanding the VDLRS to compile diagnostic laboratory data from at least eight additional States and laboratories, and report disease trends and new developments quarterly.

In FY 1993, the Agency will continue to provide a voluntary cooperative State-Federal-industry program that will improve poultry and poultry products which are wholesome and where egg-transmitted diseases are controlled using latest research and technology. Also, APHIS will continue to conduct national surveillance to prevent the entry and spread of VVND, AI, and exotic SE (Phage Type 4), and provide technical advice to the industry on diseases of economic importance. For the pseudorabies program, the Agency will continue to conduct testing and surveillance to measure each State's progress through all five eradication stages.

APHIS will complete work towards amending the SHP Act to establish immediate Primary Enforcement Responsibility (PER) when States voluntarily relinquish PER authority. Presently, APHIS assumes PER upon emergency declaration by the Secretary or when a State cannot adequately enforce the SHP Act. APHIS will increase the frequency of inspections to at least quarterly and more often in cases where facilities are inspected and found to have chronic deficiencies. The Agency will also increase search efforts for unlicensed food waste feeders by cooperating with Federal, State, and local government agencies that conduct public health inspections of food preparation establishments. APHIS will conduct several regional training courses to familiarize veterinarians and animal health technicians with the SHP Act and their responsibilities in the swine health protection program.

Ongoing efforts to protect the Class Free States from becoming reinfected with brucellosis will continue. The Agency will continue to provide industry with technical support necessary to control and eradicate domestic endemic diseases of economic importance and to promote the export of animals and germplasm. Primary program tools include the traceback and testing of cattle herds from which infected animals were identified at slaughter, testing of suspect cattle to identify positive cases, and full epidemiological investigation to identify sources of infection and possible exposure to other herds. With the cooperation of the Food and Safety and Inspection Service, APHIS plans to further increase the rate of submissions of tuberculosis (TB)-like lesions found during inspections at slaughter. A greater submission rate would aid in the goal of locating new herds through tracebacks.

During FY 1993, Uniform Methods and Rules will go into effect for TB in deer and elk to include using slaughter surveillance methods to identify TB in deer and elk herds.

Animal and Plant Health Regulatory Enforcement - The goal of this program is to provide regulatory support to APHIS programs, and to provide technical advice and assistance to program officials in the interpretation and application of the Federal laws and regulations coming under the jurisdiction of the Agency. The Agency conducts preliminary investigations in order to determine if Federal laws or regulations have been violated. APHIS officials review the investigations, and if necessary, submit cases to the Office of the General Counsel for criminal or civil prosecution. The Agency continues to monitor the status of the case, help prepare witness lists, recommend professional witnesses, and serve as trial assistants to the Department attorneys.

Fruit Fly Detection - The objective of this program is to provide essential activities necessary for early detection of exotic fruit fly introductions and to prevent sustained infestations from occurring in the continental United States, Virgin Islands, and in Puerto Rico. The program provides traps, lures and equipment, as well as personnel to install and service traps for early detection of Medfly, MFF, Oriental fruit fly, melon fly, guava fruit fly, Queensland fruit fly, peach fruit fly, and other exotic fruit flies. Early detection of infestations can substantially reduce emergency funding required for eradicating larger infestations.

ANIMAL HEALTH MONITORING AND SURVEILLANCE CROSSWALK TABLE FOR FY 1992, FY 1993, AND FY 1994 (Dollars in Thousands)									
PROGRAM	FY 1992 ACTUAL	ANIMAL HEALTH MONITORING & SURVEILLANCE	FY 1992 REVISED	FY 1993 ENACTED	ANIMAL HEALTH MONITORING & SURVEILLANCE	FY 1993 REVISED	FY 1994 ESTIMATE	ANIMAL HEALTH MONITORING & SURVEILLANCE	FY 1994 REVISED
<u>Plant and Animal Health Monitoring:</u>									
Animal disease detection	16,969	(16,969)	0	16,825	(16,825)	0	17,112	(17,112)	0
<u>Pest and Disease Management:</u>									
Brucellosis	66,260	(32,120)	32,120	65,000	(32,000)	31,000	63,980	(32,587)	31,393
Miscellaneous plant & animal diseases	4,188	(1,236)	2,956	3,222	(1,236)	1,988	3,275	(1,256)	2,021
National poultry improvement plan	245	(265)	0	245	(265)	0	250	(250)	0
Poultry diseases	870	(870)	0	722	(722)	0	738	(738)	0
Pseudorabies	7,542	(3,771)	3,771	8,285	(6,162)	4,143	7,668	(4,160)	3,488
Swine health protection	3,656	(3,656)	0	3,586	(3,586)	0	3,698	(3,698)	0
Tuberculosis	4,071	(878)	3,153	4,738	(878)	3,860	6,492	(885)	5,607
Total, Animal Health Monitoring and Surveillance	--	59,763	--	--	59,632	--	--	60,684	--

12-22

- **Pest Detection** - The pest detection program has three main functions. The first function is to rapidly discover foreign plant pests, thereby reducing pest control costs and preventing widespread agricultural damage. The program's second function is to provide information supporting export of U.S. agricultural products. The third function is to provide information supporting the management of pests under the authorities of laws and regulations impacting APHIS.

APHIS works in cooperation with the States in a project called the Cooperative Agricultural Pest Survey (CAPS). As part of this program, the States enter the results of plant pest surveys into a national database, the National Agricultural Pest Information System (NAPIS). Updated information entered by the States may be quickly retrieved by State Departments of Agriculture, State Land Grant Universities, and Federal Agencies. NAPIS data can support statements to foreign officials about the pest-free status of U.S. agricultural production areas and also help determine the need and effectiveness of pest eradication action programs.

The levels of plant and animal health monitoring activities are shown by the selected examples that follow:

Program	1992 Actual	1993 Estimated	1994 Estimated
Animal health monitoring and surveillance:			
National Animal Health Monitoring System:			
Number of states participating.....	28	37	39
Percent of U.S. livestock population covered:			
Dairy.....	77	86	86
Beef-cow/calf.....	43	86	86
Swine.....	82	95	98
Sheep.....	37	73	81
Reports generated.....	53	88	92
Veterinary Diagnostic Laboratory Reporting System:	16,570	21,500	21,500
Number of states participating.....			
Number of laboratories submitting data.....	16	24	28
Diseases and disease agents tracked.....	19	27	31
Exotic diseases and parasites:	21	22	22
Investigations of suspicious cases.....	240	300	300
Exotic Newcastle disease (VVND).....	1	-	-
Compliance:			
Inspections conducted at livestock markets and at other concentration points.....	14,030	14,030	14,030
Inspections conducted at slaughter establishments.....	4,162	4,164	4,164
Number of States classified as U.S. Pullorum Typhoid Clean.....	39	40	41
Number of egg- and meat-type breeding flocks in plan.....	3,846	3,850	3,860
Number of water fowl, exhibition poultry, and game bird breeding flocks in plan.....	4,547	5,500	6,000
Number of States classified as U.S. Mycoplasma Gallisepticum Clean (turkey).....	10	12	13
Number of garbage inspections.....	42,084	40,000	39,500
Number of violations of the SHP Act.....	638	575	515
Searches for unlicensed garbage feeders.....	77,355	76,582	75,817

12-23

Program	1992 Actual	1993 Estimated	1994 Estimated
Animal and plant health regulatory enforcement:			
Agricultural quarantine inspection:			
Field investigations	43	75	100
Formal cases	763	800	800
Warning notices	61	75	100
Stipulations	204	300	400
Cases sent to OGC	211	225	250
Animal health monitoring and surveillance:			
Field investigations	1,062	1,200	1,500
Formal cases	810	900	950
Warning notices	351	350	350
Stipulations	23	100	150
Cases sent to OGC	88	100	100
Animal welfare:			
Field investigations	754	800	850
Formal cases	980	1,000	1,100
Warning notices	620	650	700
Stipulations	120	150	150
Cases sent to OGC	107	110	120
Horse protection:			
Field investigations	97	150	200
Formal cases	29	100	100
Warning notices	—	—	—
Stipulations	—	—	—
Cases sent to OGC	71	100	100
Salmonella enteritidis:			
Field investigations	9	20	25
Formal cases	4	10	10
Warning notices	1	5	5
Stipulations	—	—	—
Cases sent to OGC	4	5	5
Veterinary biologics:			
Field investigations	32	40	50
Formal cases	13	20	30
Warning notices	11	15	20
Stipulations	—	—	—
Fruit fly detection:			
Traps set:			
Mediterranean	53,000	53,000	53,000
Melon	10,900	10,900	10,900
Oriental	20,900	20,000	20,000
Mexican	25,500	25,000	25,000
Total	110,300	108,900	108,900
Plant pest detection:			
Special area wide pest reporting projects	8	12	6
Pest maps developed	500	700	1,000
Biocontrol projects supported	4	4	5
Exotic species surveyed	20	20	20
Species distributions recorded	10	10	10

3. Pest and disease management programs -- In cooperation with the States, APHIS conducts programs to detect, prevent, and eradicate pests and diseases which are harmful to agriculture. The Agency monitors and regulates interstate shipments of plants, livestock, and related materials to prevent the spread of disease and the distribution of impure, unsafe, and nonefficacious materials and products. Through the Animal Damage Control program, APHIS protects agriculture from detrimental animal predators through identification, demonstration, and application of the most appropriate methods of control.

The statutory authority for this work is contained in 7 U.S.C. 2.17, 2.51, 7-7b, 8, 11, 15, 17, 30, 54, 55, 371.2, 429, and 3801-3813; 15 U.S.C. 44; 19 U.S.C. 4; 21 U.S.C. 4, 5, and 45, 111, 117, 120, 122-126, 130, 134; 46 U.S.C. 15; and 49 U.S.C. 20. Principal legislative authority for these activities is contained in the Act of May 29, 1884; Act of August 30, 1890; Act of February 2, 1903; Cattle Contagious Diseases Act of 1903, Act of March 3, 1905; Tariff Act of June 17, 1930; the Animal Damage Control Act of 1931; Act of September 21, 1944; Organic Act of 1944, as amended by P.L. 94-231, enacted March 15, 1976; Act of February 28, 1947; Act of September 6, 1961; Act of July 2, 1962; P.L. 92-629 of January 3, 1975; the Swine Health Protection Act of October 17, 1980; Public Law 97-46 of September 25, 1981;

Act of October 14, 1982; Act of January 13, 1983; P.L. 99-198 of December 23, 1985; and the Food, Agriculture, Conservation, and Trade Act (Farm Bill) of 1990. The activities carried out are as follows:

- Animal Damage Control (ADC) - The ADC program was established in 1885 as the Bureau of Biological Survey under USDA. In 1939, the program was transferred to the U.S. Department of the Interior, Fish and Wildlife Service. Pursuant to P.L. 99-190; H.J. Res. 465, 99 Cong. 1st Sess. FY 1985, ADC was transferred back to USDA and is now administered by the Animal and Plant Health Inspection Service. The goal of the ADC program is to help solve problems that are created when species of wildlife cause damage to agricultural, industrial, or natural resources; or present a threat to public health and safety. Under the authority of the Animal Damage Control Act, the program conducts research and carries out cooperative activities with other Federal, State or local agencies, organizations, or private individuals. The program helps protect agricultural and natural resources, property, or endangered species and prevents wildlife hazards at airports or other locations where there is a need to safeguard public health.
- Biocontrol - This program's goal is to implement biological control programs using parasitoids, predators, and pathogens to control agricultural pest of economic importance in a cooperative effort with Federal and State agencies. The program carries out the importation, quarantine screening, rearing, distribution, and evaluation of beneficial organisms to control pests of economic importance. Biological control is an alternative to using traditional chemicals for controlling plant pests. Public environmental concerns such as water and air quality, the potential carcinogenic effects of certain pesticides, and increasing pest resistance to pesticides have made it imperative for APHIS to continue to develop and improve upon biological control methods. APHIS works with international organizations and other Federal agencies, the States, and universities in conducting a number of biological control projects including leafy spurge, diffuse and spotted knapweed, Colorado potato beetle, Russian wheat aphid, Sweetpotato whitefly, *Euonymus* scale, and the European corn borer.
- Boll weevil - The boll weevil program consists of two regional eradication programs and one containment program. These programs are cooperative efforts, of which APHIS pays 30 percent of program costs and cooperators pay 70 percent.
 - High Plains Control - This program was established in 1963 to contain the spread of the boll weevil and prevent it from infesting over 4 million acres of cotton in west Texas and New Mexico.
 - Southeast Eradication - The program has eradicated the boll weevil from Virginia, North Carolina, South Carolina, most of Georgia and Florida, and portions of southern Alabama. Post eradication activities will continue in these areas to prevent reinfestation. In response to growers interest, APHIS plans to expand the eradication program into the remaining areas of Alabama, northwest Georgia, and east Tennessee. The program calls for eradication of the boll weevil from all cotton growing areas of the United States by the year 2015.
 - Southwest Eradication - The program has eradicated the boll weevil from Arizona, southern California, and northwestern Mexico, near the California border. This area is now being protected from reinfestation. The program in northern Mexico, below Arizona and near Caborca, is proceeding according to plan. The border area will be monitored to prevent reinfestation in Arizona.
- Brucellosis - The objective of the State-Federal Cooperative Brucellosis Program is to eradicate Brucella abortus from the bovine population and Brucella suis from the swine population of the United States.

For the last 3 years, the bovine program has operated under the industry supported Rapid Completion Plan (RCP). This plan would eliminate brucellosis from the United States by the end of 1998 at the current funding level. The RCP places particular emphasis on the depopulation or whole herd vaccination of affected herds and on close adherence to all provisions of the Brucellosis Uniform Methods and Rules. Major program tools include calfhood vaccination, recordkeeping, and the elimination of infection from herds by depopulation.

Program plans in FY 1993 include qualifying the remaining Class B State, Texas, for advancement to Class A status, and qualifying one Class A State, Oregon, to Class Free status. Ongoing efforts to reduce the number of affected herds in Class A States will continue.

Cattle Ticks - The cattle tick program is a cooperative State-Federal-industry effort designed to prevent the reestablishment of the southern cattle tick, Boophilus microplus, in the United States, and to eradicate the southern cattle tick and the tropical bont tick, Amblyomma variegatum, in Puerto Rico.

In the continental United States, the program is concentrated along the Texas-Mexico border, where the Rio Grande river serves as a natural barrier. Animal health inspectors conduct systematic patrols and inspections on horseback, in the permanent quarantine zone along the border. In addition, all livestock crossing the border and entering or leaving the quarantine zone are examined and treated for ticks to eliminate the risk of cattle ticks becoming established in the United States.

The Puerto Rico program involves the systematic treatment of all tick-infested premises with acaricide, a pesticide used to control cattle ticks. After the treatment regimen is completed, livestock on the premises are inspected for ticks to ensure that they remain tick-free.

Program objectives for FY 1993 include maintaining a quarantine zone, systematic patrols, and inspections along the Texas-Mexico border; and, continuing the tick eradication program in Puerto Rico.

Golden Nematode - To eliminate the golden nematode from the State of New York and to prevent the spread of the nematode to other potato producing States, APHIS cooperates with the New York State Department of Agriculture, the Agricultural Research Service, the Extension Service, Cornell University, and the New York Seed Improvement Cooperative. The program enforces regulations and sanitary requirements, supports research to develop new resistant potato varieties, and encourages grower acceptance of existing resistant varieties.

Grasshopper and Mormon cricket - Preventing grasshoppers and Mormon crickets from causing significant damage to U.S. rangeland and cropland is this program's goal. APHIS accomplishes this goal by conducting surveys to determine the extent of grasshopper and Mormon cricket populations and by conducting control activities on Federal, State, and privately owned rangeland. A limited amount of cropland may be included in a control program, when it is contained within a block of rangeland. Control activities include both pesticide application and the introduction of biological control agents. A no-year fund was established in 1986 to finance control activities on rangeland and cropland. A supplemental appropriation was established in FY 1990 to fund control activities on land in the conservation reserve program (CRP).

APHIS began a 5-year grasshopper Integrated Pest Management (IPM) project in FY 1987. The IPM project was designed to find long-term, environmentally acceptable solutions to grasshopper infestations. The goal of the project is to develop working models that address the following questions: where will grasshopper outbreaks occur; what is the economic significance of the outbreaks; what are the most appropriate control strategies for the outbreaks; and what are the

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appropriate control strategies for the outbreaks; and what are the economic and environmental consequences of recommended control actions? The IPM project is entering a 2-year technology transfer period during which research conducted in the last 5 years will be applied to field activities.

Gypsy moth - The goal of the gypsy moth program is to prevent the artificial spread of the pest from generally infested areas in New England, the Mid-Atlantic States and parts of Michigan and West Virginia. Further, the program prevents isolated infestations of 640 acres or less on non-Federal lands. This is accomplished by regulating the movement of outdoor household articles from generally infested areas, providing technical support in the eradication of isolated infestations, and cooperating with the States in detection surveys.

Honey bee pests - The program's objective is to promote techniques to manage the European honey bee, monitor migration of the Africanized honey bee (AHB), and provide technical assistance to cooperators and industry on the parasitic varroa and tracheal mites. Honey bee pests cause high mortality and lower production in beehives. The varroa mite attacks both adult honey bees and developing brood. The tracheal mite clogs the honey bee's breathing ducts.

Because the AHB is more defensive and less productive than European bees, it poses the most immediate danger to the beekeeping industry. During FY 1992, AHB's initially migrated from Mexico to south Texas. At the request of States and the beekeeping industry, APHIS monitors several swarm trap lines in south Texas to track the movement of AHB's. The Agency supports the national honey bee certification plan, developed by the National Association of State Departments of Agriculture (NASDA), which provides certification of honey bees, based in part on freedom from the AHB strain.

Imported fire ant (IFA) - The IFA program is established to control existing infestations and reduce artificial spread of IFA. Since its introduction into the United States in 1918, IFA has spread to 11 Southern States and Puerto Rico. In the late 1950's, the Department began working with the infested States to control IFA. At that time, the Department imposed a Federal quarantine and developed a cooperative control program designed to limit the ant's spread. However, progress was hampered when the EPA cancelled the registration of the insecticide Mirex in 1977. Since that time, EPA has not registered another product approved for widespread use on agricultural land. Currently, APHIS is cooperating with the University of Arkansas to develop methods and demonstration projects for imported fire ant control. APHIS also cooperates with infested States to prevent further spread by regulating certain articles like nursery stock and soil moving equipment. In addition, through methods development, APHIS continues to search for effective, economical, and environmentally acceptable control methods and treatments.

Miscellaneous plant diseases - APHIS responds to numerous reports of new plant pest species in the United States each year. The miscellaneous plant pest program provides the mechanisms for response to those pests, including delimiting surveys, control or eradication treatments, and restricting the movement of commodities which could spread the pest.

Noxious weeds - This program is to prevent the entry of noxious weeds into the United States from foreign countries, detect and delimit infestations of those weeds that are already in the U.S., and to eradicate incipient infestations where feasible. The Agency is authorized by the Federal Noxious Weeds Act of 1974, to carry out a program that works with State and local agencies to detect and prevent newly found or not yet widely established weeds from damaging U.S. agriculture. Program methods include port-of-entry inspections, surveys to determine the scope of infestations, eradication feasibility studies, and other control and eradication projects. The program has conducted surveys and eradication feasibility studies on crupina in

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Idaho, goatsrue in Utah, itchgrass in Louisiana, and hydrilla in California and Florida. In recent years, control efforts have been directed at common crupina, goatsrue, hydrilla, Salsoia vermiculata, Orobancha ramosa, and weed identification. These efforts will now be directed at Orobancha Minor and Cuscuta japonica also.

Pink bollworm - APHIS works with State agencies, grower organizations, and cotton producers to prevent pink bollworm from spreading to noninfested areas. The pest is fairly widespread in the Cotton Belt from southern California through Texas, with limited areas of infestation occurring in Arkansas and Louisiana. Arkansas was removed from quarantine in 1991, but was listed in the quarantine in 1992 because of new detections. In recent years, a few moths have been caught in Mississippi and Missouri also.

Program activities include quarantine enforcement, trapping, methods development, and operation of a sterile-moth rearing facility. Pink bollworm moths are raised, sterilized, and released in the San Joaquin Valley, California, to mate with native moths that fly in from infested areas in the south. This sterile union prevents the infestation of over 1 million acres of cotton across the valley.

Alternate methods to control the pink bollworm are being developed. The pink bollworm is a serious pest of cotton, but can reproduce on several other plant species in the United States.

Pseudorabies - APHIS participates in a cooperative Federal-State-Industry program to eradicate pseudorabies. This herpes virus causes severe economic losses in swine due to reproductive problems including abortion, stillbirth, death in neonatal pigs, pneumonia in finishing pigs, and fatality in all other domestic livestock. The program began in January 1989 and will require an estimated 10 years to complete. APHIS provides national program coordination, technical advice, recordkeeping, and public information.

The pseudorabies eradication program has been an ideal model of producer and government teamwork. The guidelines for the program are called the Pseudorabies Program Standards and were developed by APHIS, State, and industry leaders. Program participation requires the formation of a State pseudorabies committee, which consists of swine producers, animal scientists, veterinarians, and State and Federal regulatory officials, and other swine industry representatives. Participation also requires incorporating the standards into the State's regulations.

All 50 States and Puerto Rico participate in and receive Federal funds for this industry initiated program. Program progress is measured by advancement through five stages, with Stage I being the initial stage and Stage V being the final stage. Entry into Stage V requires having no infected herds and Stage I requires that the State pseudorabies committee formulate plans for a reliable determination of prevalence and seek the regulatory/legislative authority to conduct an effective control/eradication program.

Salmonella enteritidis (SE) - SE continues to be an important poultry disease and a serious public health concern. In the past several years, it has been found in a considerable number of domestic commercial egg-laying chicken flocks and has contaminated commercial table eggs, causing human illness and deaths. The primary goal of the SE traceback program is to reduce the spread of the disease as well as the human illnesses and deaths caused by egg-related SE. Since the program began in 1990, 187 SE outbreaks in humans have been reported, involving at least 2,500 cases and 6 deaths. Of this total, 54 were egg-related. Tracebacks from these outbreaks led to 30 different egg-layer flocks, including some of the largest in the U.S. These flocks were located in the following States: 17 in Pennsylvania, 3 each in Indiana and Maryland, 2 in New York, and 1 each in Colorado, Delaware, New Jersey, Kansas and Michigan. As of January 1, 1993, only three of these flocks (two in Maryland and one in New York) are still

under restriction. The remaining flocks have either been released from restriction or depopulated. Eggs from the positive flocks were prevented from being sold interstate as table eggs, and instead were sent to pasteurization plants. Approximately 7 million laying hens were involved and approximately 1.150 billion eggs have been kept off the table egg market.

In FY 1993, the Agency will continue the traceback program. In addition, APHIS is conducting a large pilot program in Pennsylvania to better determine how to prevent and control SE in poultry flocks. The program now monitors 62 flocks with a total population of 4.5 million laying hens.

There are also many efforts by other agencies and groups to lower SE incidence. Egg producers have adopted a wide range of measures to reduce the risk of infecting their flocks and contaminating eggs with SE. The egg industry is recommending more stringent refrigeration requirements for eggs throughout the production process and legislation along these lines was recently enacted by Congress. In FY 1990, the Food and Drug Administration added eggs to the "hazardous foods" list and recommended a 45 degree F. refrigeration requirement and the use of pasteurized eggs in institutions. Through the combined efforts of APHIS, egg producers, restaurants and consumers, industry representatives and other government agencies, it should be possible to decrease human SE outbreaks to 25 per year by the year 2000, from the current annual level of approximately 60.

Scrapie - The goal of the scrapie program is to reduce the incidence and control the spread of scrapie, a transmissible disease of sheep and goats that causes a slowly progressive degeneration of the central nervous system. This approach is a newly established voluntary flock certification program, which calls for the gradual development of flocks that are certified to be free of scrapie, with participating flocks progressing through four classes over time. There is a minimum time limit that a flock must spend within a given class, and each class has specific requirements for flock recordkeeping, new animal purchase, animal identification, actions upon animal deaths, and submission of diagnostic samples. The certification program took effect on October 1, 1992 and resulted from negotiated rulemaking, which was a cooperative effort between producers, accredited veterinarians, allied industry representatives, State animal health officials, and APHIS.

FY 1993 activities are focusing on program implementation. On December 9, 1992, APHIS published a final rule in the Federal Register that provides for the depopulation and indemnification of scrapie-infected and source flocks. This rule, which took effect January 8, 1993, revised the indemnity payment plan for sheep and goats infected with or exposed to scrapie by reducing the maximum indemnity paid for each sheep or goat. Under this rule, APHIS will pay up to \$150 for each registered sheep or goat and \$50 for all other sheep and goats destroyed for scrapie, if producers apply within 6 months after the effective date of the rule. Animals used for diagnostic testing are also eligible for indemnity payments. The rule also states that APHIS will not pay indemnity for any animal purchased within 6 months of the rule's effective date. In addition, it will not pay indemnity for flocks that have existed for less than a year. These new requirements will deter producers from acquiring scrapie-affected animals for indemnities. The changes resulting from this rule will benefit the sheep and goat industry in both the short- and long-term as more producers are approved for indemnification and are enrolled in the voluntary scrapie flock certification program. The Agency continues to support cooperative research to develop a live animal diagnostic test for scrapie and to determine if embryo transfer is effective in preventing scrapie transmission.

Sweetpotato Whitefly (SPW) - The SPW program implements a biological control based strategy to manage the SPW. The SPW feeds on approximately 500 plants, and is the most economically important

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whitefly vector, transmitting at least 27 different plant diseases worldwide. Whitefly transmitted diseases have caused staggering losses to desert southwest agriculture in the last 10 years. Recently, the SPW has become a destructive pest in a multitude of field crops and greenhouse ornamentals across the desert southwest in the United States. This has occurred primarily because of the pest's breeding habits, the absence of an effective natural enemy, and the fact that the whitefly has proven to be highly resistant to chemical control methods.

- Tuberculosis - The goal of this program is the eradication of bovine tuberculosis (TB) from the United States. Sources of infection and exposure can be from cattle, bison, elk, deer, and other warm-blooded mammals. Restrictions are placed on the interstate movement of cattle that are reactors, exposed, or suspects. Limited indemnities are provided to owners of TB-infected animals destroyed in connection with the program.

The Agency will complete the evaluation of a new test for cattle and one for cervidae, and explore ways to reduce the importation of Mexican steers with TB into the U.S. through improved communication with Mexico regarding the control and eradication of TB in animals undergoing international movement.

- Witchweed - The program's goal is to prevent the spread of witchweed to host crop producing areas of North Carolina and South Carolina and move towards eventual eradication of this pest. By 1995, APHIS expects to have completed witchweed eradication. Afterwards, the Agency will conduct post-eradication surveys and spot treat new infestations when detected. Witchweed is a parasitic plant that attacks corn, sorghum, sugarcane, rice, and more than 60 species of the grass family. Witchweed attaches itself to the root system of a host and robs it of water and nutrients, thus reducing crop yield. APHIS works closely with State and local governments, industry groups, and farmers to control witchweed. A quarantine of the infested area prevents the spread of witchweed by regulating certain articles that may be contaminated from leaving the infested area. Other program activities include survey, regulatory, eradication, and suppression.

The levels of pest and disease management activities are shown by the selected examples that follow:

Program	1992 Actual	1993 Estimated	1994 Estimated
ADC Operations:			
Number of livestock protected:			
Sheep and goats.....	8,517,100	8,600,000	8,700,000
Cattle.....	11,491,000	11,500,000	11,500,000
Crop acres protected:			
Small grains.....	1,380,000	1,400,000	1,420,000
Sunflowers.....	325,000	335,500	340,000
Fruit and nut orchards.....	179,000	178,000	179,000
Hay, alfalfa, and pasture.....	490,000	495,000	500,000
Citrus.....	47,500	48,000	49,000
Corn.....	157,500	159,000	160,000
Soybeans.....	19,500	21,500	22,500
Vineyards.....	140,000	142,000	145,000
Range and forest acres protected:			
Range.....	8,120,000	8,500,000	9,000,000
Forest.....	3,150,000	3,250,000	3,350,000
Health and safety accomplishments:			
Airports (prevent bird strikes).....	380	385	390
Rabies projects.....	70	72	74
Plague surveillance projects.....	270	270	275
Number of requests for assistance:			
Agriculture.....	109,100	110,000	111,000
Urban interests.....	87,500	90,000	92,000
Human health and safety.....	21,700	22,000	22,500
Industrial facilities.....	1,432	1,500	1,500
Natural resources.....	1,225	1,280	1,285

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Program	1992 Actual	1993 Estimated	1994 Estimated
Biological Control:			
Natural enemies released (thousands):			
European corn borer.....	1,519	1,500	1,500
Colorado potato beetle.....	200	1,200	1,200
Diffuse and spotted knapweed.....	62	66	68
Leafy spurge.....	153	168	185
Russian wheat aphid.....	2,316	3,100	2,300
Sweetpotato whitefly.....	450	5,000	10,000
Euonymus scale.....	6	50	100
Cereal leaf beetle.....	-	5	30
Boll Weevil:			
Cumulative acres treated (thousands):			
High Plains.....	253	500	650
SE eradication.....	918	1,400	1,500
SW eradication.....	73	46	24
Brucellosis:			
Cattle:			
Class Free status States.....	34	35	39
Class A status States.....	18	18	14
Class B status States.....	1	-	-
Total number of quarantined herds (end-of-year).....	394	250	175
Cattle ticks:			
Infested premises under treatment outside of quarantine zone at end of FY (Texas).....	5	4	4
Infested premises under treatment inside quarantine zone at end of FY (Texas).....	11	16	16
Premises freed of ticks (cumulative) Puerto Rico (bovine only).....	12,388	14,080	16,000
Grasshopper and Mormon cricket:			
Cumulative acres treated (thousands).....	235	1,000	2,000
Acres treated in CRP lands (thousands).....	-	1	1
Economically infested acres from survey (thousands).....	22,728	24,766	30,000
Gypsy moth:			
Total number of acres treated.....	204,458	205,000	220,775
Honeybee pests:			
Swarm traps at ports-of-entry.....	780	780	780
Swarm traps operated by APHIS in maintaining spread of Africanized honeybee.....	1,480	1,480	-
Imported fire ant:			
Regulatory violations (State and Federal).....	34	40	40
Regulatory inspections (State and Federal).....	28,000	25,000	15,000
Noxious weed program:			
Acres treated for common cupress in Oregon.....	2,000	2,000	2,000
Acres treated for common cupress in Washington.....	480	480	480
Acres treated for goatsue in Utah.....	39,000	39,000	39,000
Acres treated for Orobanche ramosa.....	405	390	350
Pink bollworm:			
Sterile insects reared (millions).....	705	800	1,222
Sterile moths released (millions):			
San Joaquin Valley.....	705	800	800
Imperial/Coachella Valley.....	-	-	422
Pseudorabies:			
States enrolled in the National Pseudorabies Eradication Program:			
Stage I States.....	9	1	-
Stage II States.....	15	5	3
Stage II/III States.....	3	4	5
Stage III States.....	14	13	3
Stage IV States.....	8	18	17
Stage V States.....	1	9	22
Known infected herds.....	7,707	9,000	9,000
Salmonella enteritidis:			
Human SE outbreaks per year.....	54	40	25
Number of these cases that were egg-related.....	20	10	5
Human SE cases per year.....	2,500	1,500	500
Egg-layer flocks implicated in the outbreaks.....	10	5	2
Egg-layer flocks under restriction at end-of-year.....	3	2	1
Egg-layer flocks monitored by the traceback program.....	10	5	2

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Program	1992 Actual	1993 Estimated	1994 Estimated
Scrapie:			
Total number of infected flocks, includes new and existing.....	67	75	75
Number of new infected flocks found.....	56	60	65
Number of exposed flocks under surveillance.....	226	—	—
Flocks participating in flock certification program.....	—	500	2,000
Tuberculosis:			
States accredited-free status.....	41	42	42
States modified-accredited status.....	11	10	10
Herds located.....	7	8	8
Herds depopulated.....	3	5	6
Witchweed:			
Acres infested at end-of-year.....	48,480	39,500	26,900
Acres released from quarantine.....	253,702	236,439	226,039
Acres previously released and now terminated from program.....	133,632	159,632	182,632

4. Animal care programs -- APHIS is mandated by Congress to enforce the Animal Welfare Act (AWA) of 1966 and the Horse Protection Act (HPA) of 1970. The statutory authority for this work is contained in the respective Acts and the corresponding amendments. The program activities contain the following principles:

- Animal Welfare - under the AWA, APHIS is responsible for developing regulations implementing its provisions and to ensure compliance with these regulations by the regulated entities.

The AWA stipulates that warm-blooded animals utilized for research, exhibition, or raised for the wholesale pet trade, receive humane care, treatment and handling. The transportation of regulated animals in commerce is also covered by the AWA. To prevent the utilization of stolen pets for research purposes the AWA requires that records of acquisition and disposition be maintained for dogs and cats raised or utilized under the AWA. The activities of the program are accomplished via a licensing and or registration requirement combined with an inspection process. Investigations are performed as indicated to ensure compliance.

With the enactment of an amendment to the AWA that called for a certification to accompany random-source dogs and cats sold to dealers by humane shelters, certain pounds, and research facilities, APHIS proposed a rule November 15, 1991, that addresses the requirements. The amendment requires that regulated facilities comply with holding periods. This legislation was passed by Congress to prohibit the use of stolen pets in research and to provide owners the opportunity to locate their animals. The final rule is presently in the Departmental clearance process, awaiting publication in the Federal Register.

As a result of an OIG review, APHIS has developed proposals for the improved welfare of dogs in the pet industry. This included recommended changes in policy, management, enforcement, recommendations for the control of unlicensed dealers, and other supportive suggestions for a better enforcement of the standards for animal welfare. These recommendations from the OIG study have been reviewed. Their recommendations are now in the process of being implemented.

- Horse Protection -- The Department is committed to the elimination of the inhumane practice of soring horses. The Horse Protection Act (HPA) prohibits the showing, selling, or exhibition of sored horses. Soring of horses causes an exaggerated gait. This is done by the application or use of chemicals, cuts, burns, tacks, irritating devices, or overwork.

The Department officially certifies horse industry organizations that carry out inspection of horses at shows, sales, auctions, and exhibitions in accordance with the HPA regulations. APHIS monitors compliance of the program by making unannounced inspections.

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During FY 1992, APHIS made a special effort to educate horse show management and certified DQP programs as to their responsibilities under the law, and to improve inspection methods. In FY 1993, APHIS anticipates refining the horse protection procedures.

The levels of animal care activities are shown by the selected examples that follow:

Program	1992 Actual	1993 Estimated	1994 Estimated
Animal welfare:			
Complaints investigated and resolved.....	589	647	711
Number of inspections conducted at licensees and/or registrants.....	13,194	15,790	17,470
Number of inspections conducted in transit.....	2,379	1,299	1,500
Number of violations processed.....	980	433	459
Dealer inspections.....	6,199	7,000	7,200
Research inspections.....	4,303	4,500	4,650
Exhibitor inspections.....	2,692	2,750	2,900
Intransit inspections (Carriers 2,041, Handlers 338).....	2,379	2,500	2,650
Preliminary inspections.....	3,022	3,200	3,425
Horse protection:			
Staff days and/or nights of inspecting or monitoring horse shows and sales.....	299	240	240

5. Scientific and Technical services -- APHIS develops methods to control animals and pests that are detrimental to agriculture, wildlife, and public safety. The Agency's regulatory structure brings the benefits of genetic research to the marketplace, while protecting against the release of potentially harmful organisms into the environment. APHIS also conducts diagnostic laboratory activities that support the Agency's veterinary disease prevention, detection, control, and eradication programs. In addition, APHIS supports its biotechnology program by ensuring that the veterinary biologicals developed for combating disease are potent, safe, and pure. The Agency's Scientific and Technical Services unit also provides and directs technology development in coordination with other groups in APHIS to support plant protection programs of the Agency and its cooperators at the State, national, and international levels.

The statutory authority supporting this work is contained in 7 U.S.C. 7-7b, 8, 11, 15, 17, 30, 54, 55, 429, and 3801; 15 U.S.C. 44; 19 U.S.C. 4; 21 U.S.C. 4, 5, and 45; 46 U.S.C. 15; and 49 U.S.C. 20. The principal legislative authority for these activities is contained in the Act of May 29, 1884; Act of August 30, 1890; Act of February 2, 1903; Act of March 3, 1905; Tariff Act of June 17, 1930; Act of September 21, 1944; the Organic Act of 1944, as amended by P.L. 94-231, enacted March 15, 1976; Act of February 28, 1947; Act of September 6, 1961; Act of July 2, 1962; the Virus-Serum-Toxin Act of March 14, 1913; and the ADC Act of 1931. Authority to collect user fees for veterinary diagnostics is contained in Section 2509 of the Food, Agriculture, Conservation, and Trade Act (Farm Bill) of 1990.

-- ADC Methods Development - The ADC program was transferred to APHIS on December 29, 1985, pursuant to P.L. 99-190; H.J. Res. 465, 99 Cong. 1st Sess. 1985. From 1939 until its transfer to APHIS, the program was a part of the U.S. Department of the Interior's Fish and Wildlife Service. The basic program mission is to protect American agriculture and other resources through identification, demonstration, and application of the best methods of controlling wild and free ranging animals that are detrimental to agriculture, other wildlife, and public safety. In support of this mission, research and development of control techniques and devices for the operations program and APHIS clientele are provided by the Denver Wildlife Research Center. The program conducts research to maintain current pesticide registrations with the Environmental Protection Agency for products such as strychnine, Compound 1080, and Starlicide (DRC-1339). Also, new or improved control tools such as soft traps, the livestock protection collar, repellents, and electroshock techniques are researched.

-- Biotechnology and Environmental Protection - In FY 1992 APHIS consolidated its three environmental units--the headquarters Environmental Analysis and Documentation staff, Technical and

Scientific Services staff, and National Monitoring and Residue Analysis Laboratory at Gulfport, Mississippi, under one division and received permission to fund them under an expanded Biotechnology and Environmental Protection line item. This new organization reflects APHIS' commitment to environmental stewardship under a "circle of environmental protection" concept as it protects America's plant and animal resources from harmful pests, diseases, and predators. Under this concept, the program helps APHIS' operational programs comply with all environmental requirements--the National Environmental Policy Act (NEPA) and other environmental laws, regulations, and Executive Orders--in a proactive fashion. The group works with program planners to identify and develop viable alternatives to current control and eradication programs and documents APHIS' environmental planning activities. The program also maintains the registration of chemicals and other substances used in current APHIS programs, while helping to identify emerging, less environmentally invasive alternatives to current practices. In addition, the program develops monitoring plans that help assess the impact of Agency actions on the environment, and analyzes samples of soil, water, and crops for pesticide residue to determine the safety of ongoing and alternative programs. The environmental protection program helps APHIS integrate environmental planning into program development at the earliest possible time, rigorously explore alternative to current control and eradication methods, and anticipate and prevent environmental problems.

The biotechnology component of the program regulates the field release, interstate movement, and importation of genetically modified organisms, and licenses recombinant derived veterinary biologics for sale and distribution in the United States. The intent of this program is to certify and ensure that the introduction and field testing of new products do not present potential risks to America's plant and animal resources and/or industries, the general public, or the environment. The program provides the added benefit of fostering technology transfer by allowing for the safe field testing of potentially beneficial plants and micro-organisms and licensure of recombinant-derived veterinary biologics. Also, the program enhances technology transfer by working to reduce domestic and international barriers to biotechnology development and trade. Both activities support the President's goal of maintaining America's competitive edge in biotechnology.

- Integrated Systems Acquisition Project (ISAP) - ISAP is an Agency initiative to establish a mechanism to procure automated data processing (ADP) equipment, software, and services which will enable APHIS' many information management applications to be developed and operate in a consistent, common ADP environment. This procurement is designed to replace the Agency's current mixture of incompatible ADP systems. The ISAP initiative will improve the delivery and administration of Agency programs by integrating technologies and information across all levels of the Agency.
- Plant Methods Development Laboratories - Methods development supports APHIS programs primarily by optimizing existing pest control practices and by developing new technologies for pest exclusion, detection, and control. This is accomplished by conducting methods development, evaluating new biological and chemical materials, adapting or inventing equipment, providing technical consultation and training, collecting and disseminating pertinent information, participating in strategic and tactical planning, serving as a liaison between APHIS and the research community, and integrating technological advancements into integrated pest management systems.
- Veterinary biologics - The goal of this program is to prevent the importation, production and distribution of impure, ineffective, unsafe, or impotent veterinary biological products in the United States. Program activities include the licensing of veterinary biological products, inspection of licensed manufacturing facilities, testing of statistically based samplings of licensed products, and the issuance of permits for the importation of these products. The program regulates both the interstate and intrastate distribution and sale of veterinary biological products. These activities help protect

America's multi-billion dollar livestock and pet industries. The program also helps ensure that industry has an efficient regulatory pathway to bring beneficial products to American agriculture. This function fosters the growth of America's veterinary biologics industry, which is making use of the explosive growth of microbiological processes to develop sophisticated new products. Finally, the program participates in efforts to reduce unfair regulatory barriers to the entry of American veterinary biological products into foreign markets and works with industry to reduce the use of laboratory animals by making greater use of *in vitro* testing.

- **Veterinary diagnostics** - APHIS maintains a diagnostic program for foreign and domestic animal diseases that threaten the livestock, poultry, and related industries of the United States. The program consists of diagnostic laboratory activities which include diagnostic assistance to the livestock and poultry industries, as well as to the States. APHIS operates laboratories located at Ames, Iowa, for diagnosing domestic diseases, and Plum Island, New York, for work on diseases exotic to the United States such as FMD. Services include differential diagnosis, blood and tissue examination, culture analysis, toxicological testing, and reagent and reference antigen production. The program also provides training in domestic and foreign animal disease diagnosis. Currently, APHIS recovers a portion of the costs it incurs for fetal bovine serum testing, bird quarantine work, and testing of animals held in quarantine.

In FY 1993, the program plans to implement additional user fee regulations to cover direct labor and material costs for veterinary diagnostic testing, reagent production, and reference assistance testing. Also, the Agency plans to conduct additional tuberculosis culture activities and pathology examinations; tests to determine the incidence of bovine leukosis, bluetongue, anaplasmosis, and bovine viral diarrhea in beef cattle; and qualify animals for import/export in response to the free trade agreement with Canada and Mexico.

The levels of scientific and technical activities are shown by the selected examples that follow:

Program	1992 Actual	1993 Estimated	1994 Estimated
ADC methods development:			
Registration/Reregistrations:			
Number of data submissions.....	85	72	51
Number of quarterly, annual, and consortia progress reports.....	41	45	35
Number of registration applications.....	31	22	25
Number of investigational new animal drug application - (requires FDA approval).....	1	1	1
Number of data call-in - (data collected on pesticides (chemical-repellents) for reregistration.....	4	1	1
Research:			
Studies initiated.....	55	50	49
Studies completed.....	64	30	52
Studies in progress.....	127	109	98
Publications.....	65	65	70
Biotechnology:			
Number of release applications received.....	165	330	660
Number of days to process application.....	71	55	40
Number of release permits issued.....	145	290	580
Number of days to process applications:			
Movement permits.....	52	45	40
Release permits.....	71	55	40
Number of analyses reviewed and prepared.....	25	16	18

Program	1992 Actual	1993 Estimated	1994 Estimated
Plant methods development:			
Aerial pesticide application technology tests.....	1	3	2
Asian gypsy moth:			
Formal presentations.....	7	5	1
Manuscripts.....	2	2	30
Researched experiments.....	10	30	20
Consultations.....	100	150	
Gypsy moth:			
Formal presentations.....	12	12	12
Manuscripts.....	3	4	10
Pheromone trials.....	20	20	20
Aerial pesticide technology development tests.....	8	10	10
Insecticide formulation tests in the laboratory.....	28	30	30
Consultations.....	100	90	100
Biological control:			
Formal presentations.....	4	8	12
Impact evaluation.....	1	4	4
Researched experiments.....	10	15	20
Cooperative studies.....	1	5	10
Consultations.....	10	20	20
Exotic pest survey:			
Formal presentations.....	4	4	4
Pheromone trials.....	2	4	5
Consultations.....	60	60	60
Production of survey dispersers.....	40,000	40,000	40,000
Consultations on exotic pest survey methods.....	2	2	2
Grasshopper:			
Bio-insecticide formulations tested in the field.....	1	10	15
Bio-insecticide laboratory tests.....	10	10	10
Insecticide formulations tested in the field.....	3	3	3
Insecticide formulations tested in the laboratory.....	1	3	3
Field evaluations of IPM treatments.....	7	7	7
Individual training for grasshopper identification.....	3	3	3
IPM technology transfer team activities/sessions.....	5	6	6
Manuscripts.....	2	1	1
Mexican fruit fly:			
Field trials conducted of new traps and lures.....	4	4	4
Aerial pesticide and technology tests.....	1	1	1
Mass-rearing and sterile release technology.....	6	6	8
Noxious weeds:			
Formal presentations.....	20	25	25
Manuscripts.....	12	14	16
Researched experiments.....	45	55	65
Species projects.....	40	50	60
Consultations.....	225	250	275
Pine shoot beetle:			
Formal presentations.....	1	10	10
Manuscripts.....	2	1	-
Research experiments.....	10	20	20
Consultations.....	25	50	50
Regulatory treatments investigated.....	12	20	10
Pink bollworm:			
Shipments of test insects.....	125	150	150
Pheromone system field trials.....	3	3	4
Mass-rearing assistance to major field trials.....	30	30	100
Technical assistance to major field trials.....	2	3	4
Field trap and behavior tests.....	10	8	8
Whitefly:			
Predator colonies maintained.....	1	2	4
Predator field tests.....	5	10	10
Parasite release and evaluation.....	4	20	20
Witchweed:			
Formal presentations.....	20	20	20
Manuscripts.....	25	25	25
Researched experiments.....	40	45	50
Herbicide treatments investigated.....	75	60	45
Consultations.....	150	160	170

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Program	1992 Actual	1993 Estimated	1994 Estimated
Veterinary biologics:			
Number of serals processed.....	23,091	24,841	26,591
Percent of serals tested for:			
Potency.....	7.7	7.6	7.6
Purity.....	3.6	3.6	3.6
Sterility.....	4.4	4.4	4.4
Safety.....	0.01	0.01	0.01
Chemistry.....	0.2	0.2	0.2
Number of inspections:			
In-depth.....	46	65	72
Follow-up.....	10	15	16
Special.....	30	35	48
Percent of inspections that find unsafe practices.....	.53	.56	.53
Veterinary diagnostics:			
Number of import-export health requirement tests conducted at National Veterinary Service Laboratories (NVSL).....	70,000	70,000	70,000
Number of import-export health requirement tests conducted at Foreign Animal Diseases Diagnostic Laboratories (FADDL).....	21,000	22,000	22,000
Number of fraudulent blood screening tests conducted.....	80,000	80,000	80,000
Number of diagnostic tests conducted at NVSL.....	485,000	500,000	500,000
Volume of reagents shipped (ml):			
By NVSL.....	3,200,000	3,300,000	3,300,000
By FADDL.....	200,000	200,000	200,000
Number of training days provided:			
International students.....	508	500	500
Domestic students.....	510	500	500

GAO AUDITS

<u>Report No.</u>	<u>Title</u>	<u>Date Issued</u>
RCED-92-69	Salmonella--FDA/USDA Controls	4/21/92
RCED-92-209	Food Safety and Quality - FDA Should Address Drug Residues in Milk	8/12/92
RCED-93-2	Wildlife Management, Brucellosis in Yellowstone's Bison	10/21/92

OIG AUDITS

<u>Report No.</u>	<u>Title</u>	<u>Date Issued</u>
33099-8-SF	California Medfly Claims	3/31/92
33099-5-AT	National Poultry Improvement Plan Survey	9/29/92
50099-28-AT	USDA Labs - Hazardous Waste Management	9/30/92
33001-2-AT	Assessment of User Fees	10/21/92
33003-1-SF	Phytosanitary Certification (DRAFT)	11/30/92
50600-2-AT	Cleanup Costs for Hazardous Waste	9/30/92

Incurred under Interagency Agreements

JUSTIFICATION OF INCREASES AND DECREASES

- (1) A net increase of \$9,456,000 for pest and disease exclusion activities, consisting of:
- (a) An increase of \$2,050,000 which reflects a 2.7 percent increase in non-salary costs.

- (b) An increase of \$2,447,000 which reflects the annualization of the FY 1993 pay raise.

- (c) A decrease of \$1,736,000 for administrative efficiency.

Need for Change. To promote the efficient use of resources for administrative purposes, in keeping with the President's Executive Order, total USDA baseline outlays for these activities will be reduced by 3 percent in FY 1994, 6 percent in FY 1995, and 14 percent in FY 1997.

Nature of Change. To achieve the savings in these line items, the Agency will reduce travel, utilities, rent, printing and reproduction, cooperative agreements, and supplies.

- (d) A decrease of \$56,000 for FTS 2000 funding.

This decrease reflects lower long distance telecommunications prices due to price redeterminations in the FTS 2000 contracts.

- (e) An increase of \$1,136,000 for the Agricultural Quarantine Inspection (AQI) appropriated program (\$22,717,000 available in FY 1993).

Need for Change. The AQI program protects American agriculture from exotic pests and diseases by supporting Mexican border activities, inspecting private and military aircraft, small tonnage vessels, and miscellaneous activities not funded by user fees. The program is designed to enhance exclusion of fruit flies, khapra beetle, and other exotic plant and animal pests and diseases. APHIS inspects passengers departing Puerto Rico and Hawaii for the U.S. mainland, as well as pedestrians and passenger motor vehicle traffic from Mexico. Each person, bag, or cargo item entering this country could carry an exotic pest capable of causing a major outbreak. In Fiscal Year (FY) 1991, predeparture inspections covered approximately 7 million passengers from Hawaii and 4 million from Puerto Rico.

Nature of Change. The increased funding will allow APHIS to provide for staffing and support in Mexico and on the Mexico border to assist in exclusion efforts at seaports, airports, and road stations, and rail car inspections. Also, these funds will provide for oversight and accreditation of all Military Customs Inspection Programs. This increase will also provide a small staff increase in Hawaii.

- (f) An increase of \$6,477,000 for the AQI user fee program (\$83,362,000 available in FY 1993).

Need for Change. The principle objective of the AQI user fee program is to conduct an effective inspection program to prevent pests and diseases of foreign origin from entering the United States and spreading within the country. In FY 1991, approximately 30 million international passengers arrived at U.S. ports. This is an increase of approximately 16 percent over FY 1990. Passenger arrivals are expected to double by the year 2000 and fee collections will rise also. This program regulates the import and export of designated endangered plant species, and provides an export certification program suitable to agriculture's needs on a fee basis. Increased inspection activities are expected due to the rise in the importation of propagative plant materials. Because of the tremendous increase in fee supported program activities, additional staff years are needed for more supervisors, officers, bio-aides, technicians, and office support staff. The Citrus Export Certification Program's success and greater demand for American agricultural products by foreign countries have caused increased export activities. Cargo operations at both airports and maritime ports are increasing due to the political stabilization of government in foreign countries, and the negotiations of foreign trade agreements with the United States. A sizable increase in agricultural fee inspected imports has resulted from the Caribbean Basin Initiative Program.

Nature of Change. The increased authority to spend fee generated funds will provide additional staff and equipment to escalate the rate of conversion to the automated cargo system for paperless clearance of maritime and air cargo. Increased staff will permit more rapid assessment of the pest risk involved with increasing requests for import commodities, such as exotic fruits and vegetables from the Caribbean and South America, including timber products from Russia, New Zealand, and Chile. The Agency will increase its capability to immediately detect and eradicate incipient pest invasions through trapping at ports of entry and sensitive areas. Also, export certification of U.S. products will be expedited through automation of the export manuals and certificate issuing system. Sufficient staff will be available for passenger terminal expansion to adequately inspect increased passengers and cargo, primarily at major California and east coast airports. In addition, the increased authority to spend fee generated funds will enable APHIS to continue improving and implementing innovative techniques, such as x-ray machines and detector dogs, to handle the escalating workload. The increased spending authority will provide more Canine Officers and permit additional placement of canine teams at major airports, and provide personnel, dogs, training, and equipment necessary to house, transport, and maintain the Canine program needs.

- (g) An increase of \$194,000 for foot-and-mouth disease program (\$3,891,000 available in FY 1993).

Need for Change. Foreign operating costs, especially local salaries in Mexico, Panama, and Colombia, have increased approximately 20-30 percent since FY 1990. The cost of doing business in overseas locations far exceeds the cost of doing business domestically. As a result, an erosion in program budgets because of increased operating costs threatens APHIS' ability to maintain current activity levels.

The risk of foreign animal diseases threatening the United States has grown in recent years. Free trade issues, especially hemispheric, along with General Agreements for Tariff and Trade (GATT) and proposals for establishing free trade zones will require increased emphasis on foreign animal disease detection, prevention, program surveillance, and eradication activities.

Nature of Change. The program would continue with its basic support to the Joint Mexico, Panama, and Colombia foot-and-mouth disease programs together with vesicular disease sample submission from Central America. Program activities would be supported at the FY 1992 level.

- (h) No net program change comprised of a decrease of \$2,970,000 in appropriations offset by an increase of \$2,970,000 to be derived from user fees for the import/export inspection program (\$8,000,000 available in FY 1993).

Need for Change. User fees that were implemented in FY 1992 cover costs associated with export inspection of animals. To ensure that direct recipients of the service pay the costs by FY 1994--user fees will be implemented to recover full costs associated with importations at import centers and at all other ports of entry. These fees will also cover the importation of animal products, such as the costs of permits and inspections at product establishments. This will enable a reduction in appropriated funds.

Nature of Change. User fees for the import/export program will cover costs at APHIS-owned animal import centers. These costs include veterinary inspection and care, laboratory costs and administrative costs at import centers, costs for certifying the health of animals being exported, costs for supervision and loading of animals on aircraft, and related supplies and equipment. New user fees will also be implemented to cover costs for inspections of livestock entering the United States from Mexico and Canada and other ports of entry. These fees will cover the costs of issuing product permits, inspecting product facilities, and other related services.

- (i) An increase of \$1,166,000 for international programs activities (\$4,675,000 available in FY 1993).

Need for Change. Operating costs overseas have increased at a rate much higher than for domestic operations. Since FY 1991 and projected through FY 1994, foreign operating costs reflect an annual average increase of approximately 24 percent. As a result, Foreign Affairs Administrative Support (FAAS) services, which is administered by the State Department, increases significantly each year. The FAAS system is a method of determining administrative support costs and distributing these costs among participating foreign affairs agencies overseas. FAAS services include but are not limited to medical services, regional security, imprest fund, housing, general support services, foreign service nationals, personnel services, motor pool messenger services, and mail services. Funding for increased FAAS costs is necessary to avoid erosion of base funding for program activities due to inflation. The requested increase for FAAS costs in FY 1994 is \$45,263.

The goal of international programs is to provide leadership, management, and coordination of international activities pertaining to phyto and zoosanitary measures and facilitate international trade. Initiatives which affect international trade include the North American Free Trade Agreement, the Uruguay Round for GATT, the European Community, and the Andean Initiative. The array of sanitary and phytosanitary issues affecting APHIS and the trading community are growing rapidly. Bilateral relations, regional activities, pest-free zones, and proposed and actual certification programs, have greatly increased APHIS international activities.

Increased funding would allow APHIS to take an aggressive, proactive approach in implementing an APHIS international marketing strategy founded on sanitary and phytosanitary standards. This approach would consider actions taken by the four major trade efforts now underway to develop or refine trade terms. These efforts include the current GATT round, the Dunken proposal, the "European Community 92," and the North American Free Trade Agreement. These funds would enable APHIS to successfully negotiate the resolution of phytosanitary and sanitary issues and facilitate the increase the exports of U.S. agricultural products.

Nature of Change. APHIS would increase technical information exchange with emerging and developing countries which will benefit worldwide phyto and zoosanitary conditions. This level would also permit the establishment of APHIS attache positions in Moscow to cover liaison with the eastern block countries of the world. In addition, APHIS would fully implement their plan to cross-train international APHIS personnel on both plant and animal health issues. The request will also fund the State Department for increased costs of services provided under FAAS.

- (j) An increase of \$32,000 for Mediterranean fruit fly program (\$10,213,000 available in FY 1993).

Need for Change. Operating costs overseas have increased at a rate much higher than for domestic operations. Since FY 1991 and projected through FY 1994, foreign operating costs reflect an annual average increase of approximately 24 percent. As a result, FAAS services which is administered by the State Department, increases significantly each year.

Nature of Change. The request will fund the State Department for increased costs of services provided under FAAS. The FAAS system is a method of determining administrative support costs and distributing these costs among participating foreign affairs agencies overseas. FAAS services include but are not limited to medical services, regional security, imprest fund, housing, general support services, foreign

service nationals, personnel services, motor pool messenger services, and mail services. Funding for increased FAAS costs is necessary to avoid erosion of base funding for program activities due to inflation.

- (k) An increase of \$567,000 for Mexican fruit fly (MFF) program (\$1,700,000 available in FY 1993).

Need for Change. Since the mid 1980's, the number of fruit fly outbreaks in the United States has increased significantly, raising concerns among United States fruit growers. Increased movement of people and goods combined with urban growth and industrialization along the Mexican border serve to increase the risk of fruit fly introduction. Therefore, APHIS needs to strengthen suppression efforts within the vicinity of Tijuana, Baja California Norte, to provide greater protection to California from the MFF threat. In addition, citrus production is recovering in the lower Rio Grande Valley requiring additional survey and monitoring activities to certify fruit for movement to other markets.

Nature of Change. These funds will provide for increased releases of sterile MFF within the northern border states of Mexico. The Mission rearing facility would produce additional flies for use in Mexico. Funding would also provide for monitoring MFF populations in Baja California Norte, Nuevo Leon, Tamaulipas, Chihuahua, and Sonora, through trapping, market inspections, and fruit sampling. Increased funding would also provide regulatory and trapping activities in Texas to support the MFF program in the lower Rio Grande Valley, at a level commensurate with increased citrus production as the industry continues to recover from the 1989 freeze.

- (l) An increase of \$149,000 for the screwworm program (\$34,645,000 available in FY 1993).

Need for Change. Operating costs overseas have increased at a rate much higher than for domestic operations. Since FY 1991 and projected through FY 1994, foreign operating costs reflect an annual average increase of approximately 24 percent. As a result, FAAS, which is administered by the State Department, increases significantly each year.

Nature of Change. The request will fund the State Department for increased costs of services provided under FAAS. The FAAS system is a method of determining administrative support costs and distributing these costs among participating foreign affairs agencies overseas. FAAS services include but are not limited to medical services, regional security, imprest fund, housing, general support services, foreign service nationals, personnel services, motor pool messenger services, and mail services. Funding for increased FAAS costs is necessary to avoid erosion of base funding for program activities.

- (2) A net increase of \$754,000 for plant and animal health monitoring activities, consisting of:

- (a) An increase of \$1,154,000 which reflects a 2.7 percent increase in non-salary costs.
- (b) An increase of \$875,000 which reflects the annualization of the FY 1993 pay raise.
- (c) A decrease of \$698,000 for administrative efficiency.

Need for Change. To promote the efficient use of resources for administrative purposes, in keeping with the President's Executive Order, total USDA baseline outlays for these activities will be reduced by 3 percent in FY 1994, 6 percent in FY 1995, and 14 percent in FY 1997.

Nature of Change. To achieve the savings in these line items, the Agency will reduce travel, utilities, rent, printing and reproduction, cooperative agreements, and supplies.

- (d) A decrease of \$26,000 for FTS 2000 funding.

This decrease reflects lower long distance telecommunications prices due to price redeterminations in the FTS 2000 contracts.

- (e) A decrease of \$551,000 for the pest detection program (\$3,976,000 available in FY 1993).

Need for Change. APHIS conducts international pest detection activities in the Western Hemisphere, primarily in Mexico and the Caribbean. These activities consist of surveys to detect new pests and surveys to monitor known pests of concern to the United States. This decrease will require foreign countries of the Western Hemisphere to assume a larger role in their pest detection programs if surveys are to be conducted.

Nature of Change. All international plant pest survey and detection activities within the Western Hemisphere for certain exotic pests (including fruit flies in the genus *Dacus* and *Bactrocera*, khapra beetle, mango seed weevil, brown citrus aphids, and citrus diseases including citrus tristeza virus) will cease.

- (3) A net decrease of \$9,466,000 for pest and disease management programs, consisting of:
- (a) An increase of \$1,221,000 which reflects a 2.7 percent increase in non-salary costs.
- (b) An increase of \$1,530,000 which reflects the annualization of the FY 1993 pay raise.
- (c) A decrease of \$1,114,000 for administrative efficiency.

Need for Change. To promote the efficient use of resources for administrative purposes, in keeping with the President's Executive Order, total USDA baseline outlays for these activities will be reduced by 3 percent in FY 1994, 6 percent in FY 1995, and 14 percent in FY 1997.

Nature of Change. To achieve the savings in these line items, the Agency will reduce travel, utilities, rent, printing and reproduction, cooperative agreements, and supplies.

- (d) A decrease of \$34,000 for FTS 2000 funding.

This decrease reflects lower long distance telecommunications prices due to price redeterminations in the FTS 2000 contracts.

- (e) An increase of \$3,454,000 for the biological control (biocontrol) program (\$4,599,000 available in FY 1993).

Need for Change. The APHIS biocontrol program is an important part of the Federal and State cooperative effort to acquire, produce, and distribute biological agents for Russian wheat aphid (RWA), leafy spurge, diffuse and spotted knapweed, Colorado potato beetle, European corn borer, cereal leaf beetle, euonymus scale, and the common crupina. Biological control constitutes an ecologically based, efficient pest management tactic that is fully compatible with other components of modern integrated pest management. Also, it is an environmentally sound approach to existing and future pest control strategies. Additional funding is for the USDA, National Biological Control Program (NBCP) initiative. The goal of the NBCP initiative is to improve the capacity for farmers, foresters, and homeowners to solve pest problems in ways that enhance the sustainability of American agriculture and forestry. The NBCP is an Interagency Biological Control Coordinating

Committee initiative designed to conduct research and implement biological control technology within the context of integrated pest and crop management systems and reduce dependency on pesticides. The Committee consists of five USDA agencies--ARS, CSRS/SAES, FS, APHIS, and ES/CES. A national biological control program would make it possible to launch coordinated applied research, demonstration, implementation, and educational programs in response to environmental and economic risk concerns. The required knowledge base and specialized development need to be advanced to furnish adequate biological control options for APHIS programs. The NBCP is APHIS' opportunity to enrich and augment its ongoing biological control programs, while maintaining the flexibility to respond to unforeseen pest outbreaks. Thus, the NBCP will assure more effective use of existing resources and increase both the level of activity and scope of research and implementation.

Nature of Change. Existing APHIS biological control projects will have significant increases in foreign collection, quarantine screening, mass production, release, and evaluation of exotic natural enemies for projects such as purple loosestrife and Mexican and Mediterranean fruit flies. The increased funds will create additional manpower and production facility space to substantially increase mass production of natural enemies and the number of release sites. This will result in larger releases of natural enemies in a more timely fashion, which can lead to quicker pest problem resolution. The increase will fund activities for the RWA program. The National Biological Control Institute (NBCI) would significantly increase services by providing more detailed biological control data base systems and more quickly respond to the needs and requests of State cooperators, the public, and research communities.

- (f) A decrease of \$3,380,000 for boll weevil program (\$13,135,000 available in FY 1993).

Need for Change. Boll weevil activity consists of three cooperative programs: the High Plains control program, the Southeast eradication program, and the Southwest eradication program. The goal of the High Plains program is to prevent the boll weevil from spreading into the non-infested areas of west Texas from the rolling plains area to the South and West. The Southeast eradication program has eradicated the boll weevil from Virginia, North Carolina, and South Carolina. Growers in the eradicated areas report substantial benefits as a result of this program.

The original Southwest eradication area, which included parts of southern California, western Arizona, and northern Mexico near the California border, was declared eradicated for boll weevil in 1987. The program was expanded in FY 1988 to include central Arizona and northern Mexico, near the Arizona border.

APHIS is confirming eradication in southern South Carolina (the former buffer zone), Georgia (except northwest Georgia), Florida, and southeast Alabama. APHIS expanded the eradication program into northeast Alabama in the spring of 1992.

APHIS plans to expand the eradication program into northwest Georgia and central Alabama in FY 1993. If the necessary grower referendum is approved, APHIS plans to further expand the program into north central Alabama and southeast Tennessee.

Effective in FY 1993, boll weevil funding will be no-year money. The funding requested for FY 1994, along with potential carry-over funds from FY 1993, should be sufficient to continue the eradication activities begun in central Alabama and northwest Georgia in FY 1993.

Nature of Change. APHIS will monitor eradicated areas and continue eradication activities in the new expansion area. APHIS will not expand the program beyond the eradication areas begun in FY 1993.

- (g) A decrease of \$1,674,000 for the brucellosis program (\$33,000,000 available in FY 1993).

Need for Change. The brucellosis eradication program is a cooperative venture in which the Federal government can provide 60 percent of the funding and States must provide at least 40 percent. The brucellosis eradication program is operating under the industry supported Rapid Completion Plan (RCP). The success of the eradication program is significant. Nationwide there are 32 States, plus the District of Columbia, Puerto Rico, and the U.S. Virgin Islands, in Class "Free" status, 17 States in Class "A" status, and only one State Texas, in Class "B." As of January 31, 1993, there were 380 herds under quarantine for brucellosis compared with 504 herds at the end of January 1992. Under the RCP, brucellosis would be eliminated from the United States by the end of FY 1998.

Nature of Change. APHIS will continue to carry out the successful brucellosis eradication program. Funds will be available for first point of concentration testing in only the higher incidence States. Depopulation funds would be available for use in Class "A" States to rapidly eliminate selected affected herds with unusually high or persistent levels of infection.

- (h) A decrease of \$1,647,000 for the cattle tick program (\$6,172,000 available in FY 1993).

Need for Change. APHIS participates in cooperative cattle tick eradication programs in Texas and the Commonwealth of Puerto Rico. The Puerto Rico program, initiated in 1979, receives most of its funding from a \$10.8 million block grant which is transferred to APHIS from the Food and Nutrition Service (FNS). The Puerto Rico effort will be funded entirely from the FNS transfer.

Nature of Change. APHIS will continue to administer the FNS reimbursement and manage the program, but will cease funding, Federal supervisory personnel, equipment, pesticides, gasoline, and vehicle maintenance. These costs will then be funded from the FNS block grant. The cooperative agreement with Puerto Rico for the hiring of field personnel will be renewed. Support for the Texas program will remain at the present level.

- (i) A decrease of \$211,000 for golden nematode program (\$862,000 available in FY 1993).

Need for Change. The goal of the program is to prevent the spread of golden nematode to new locations outside the regulated areas in New York, or to any other state. APHIS is accomplishing this goal by developing a biologically based management program that will result in the gradual elimination of golden nematode from currently infested areas. The management program includes crop rotation, cultural practices, and the use of resistant potato varieties. As growers rely more on resistant varieties, survey needs in New York will diminish.

Nature of Change. Twelve hundred acres of exposed land in upstate New York and 400 acres on Long Island, will be turned over to the State for survey. APHIS will not process soil samples from these areas.

- (j) A decrease of \$2,775,000 for grasshopper/mormon cricket program (\$6,350,000 available in FY 1993).

Need for Change. The program to control grasshopper and Mormon cricket infestations in the Western States is evolving into a proactive program, stressing forecasting of pest outbreaks and integrated pest management techniques. The APHIS Integrated Pest Management (IPM) project, which in FY 1994 will be in the final year of the 3-year technology transfer period, is committed to developing and implementing long-term, environmentally safe solutions to grasshopper control. The intensive control measures of the past few years, along with favorable weather conditions, have contributed toward reductions in infestations.

Due to low grasshopper populations in the past few years, APHIS anticipates carrying substantial reserve funds into FY 1994. The reserve funds will be available for control activities.

Nature of Change. APHIS will continue to carry out cooperatively funded annual surveys and respond to requests from Federal land managers, State cooperators, and private land owners for technical assistance and cooperative control programs. The Agency will also complete the 3-year effort to transfer to the States and growers the technologies developed in the IPM project. APHIS will fund grasshopper control activities and the IPM project from the no-year funds carried over from prior fiscal years.

- (k) A decrease of \$158,000 in the honey bee pest program (\$531,000 available in FY 1993).

Need for Change. In FY 1994, the program's goal is to assist with coordination and facilitation of the state run National Honey Bee Certification Program (NHBCP) which retards the man assisted spread of honey bee pests. Funds are decreased as APHIS transfers the primary role in Africanized honey bee (AHB) trapping to states and local agencies.

Nature of Change. APHIS will transfer technology via identification training and equipment loaned to states. Also, APHIS will provide traps and supplies through cooperative agreements to states for detection surveys. By this time, the USDA, Extension Service will have assumed the lead Federal role in disseminating information on new or improved agricultural practices and technologies on managing honey bees in an AHB environment.

- (l) A decrease of \$3,698,000 for imported fire ant (IFA) program (\$3,698,000 available in FY 1993).

Need for Change. Since 1977, no control substance that is registered for use on most agricultural lands has been proven to be effective against the IFA. Since 1985, the Agency has not received any requests from states for cooperative treatment programs and states have in many cases proven themselves able to successfully eradicate small isolated infestations outside the regulated area. Areas currently regulated include: Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, North Carolina, Oklahoma, Puerto Rico, South Carolina, Tennessee, and Texas.

Nature of Change. APHIS would eliminate this line item since no effective, efficient, and environmentally acceptable control agents are available. All regulatory and survey activities would be conducted by the states. APHIS will continue under the plant methods development line item, to evaluate the efficacy of regulatory treatments to prevent further artificial spread of the IFA.

- (m) A decrease of \$147,000 for the noxious weed program (\$625,000 available in FY 1993).

Need for Change. APHIS works with State and local agencies to detect noxious weeds and prevent them from damaging U.S. agriculture. The program began in 1979 with surveys in 25 States and Puerto Rico, port-of-entry inspections, hydrilla control in Florida, and the formation of a technical committee to evaluate noxious weeds. In recent years, funding has been provided for control efforts directed at common crupina, goatsrue, hydrilla, and weed identification, but not for comprehensive surveys. However, the States' cooperation in the control and eradication of noxious weeds and the program's successes in the goatsrue and hydrilla programs resulted in a decrease in funding for the noxious weed program in FY 1992.

Nature of Change. APHIS will conduct surveys for newly introduced noxious weeds in the Northeastern and South Central regions only. The Grant Agreement with Florida to conduct the Mimosa pigra survey and

control program will be funded. However, limited funds will be available to prevent the spread of common crupina, hydrilla, goatsrue, and salsola to noninfested areas. Very little funds will be provided for supplies, equipment, and personnel to conduct eradication, suppression, and survey of noxious weeds.

- (n) A decrease of \$1,243,000 for pink bollworm program (\$2,292,000 available in FY 1993).

Need for Change. APHIS conducts a regulatory, survey and control program to prevent the spread of the pink bollworm to noninfested areas. An important aspect of this program is the release of sterile moths. Since 1968, the program has released sterile moths in the San Joaquin Valley of California to prevent establishment of fertile moths that migrate from the South. APHIS, California, and cotton producers operate a sterile moth rearing facility in Phoenix, Arizona. In FY 1990, the cotton producers purchased a replacement facility for the sterile moth rearing operation. Congress appropriated funds in FY's 1991, 1992, and 1993 to purchase equipment for the replacement facility, and to prepare the building for installation of the equipment. By the end of FY 1993, APHIS will have purchased the equipment needed to match the production capacity of the old rearing facility.

Nature of Change. APHIS will conduct a regulatory program to prevent the artificial spread of pink bollworm to uninfested areas of the country. APHIS will also survey for pink bollworm in non-infested cotton producing states. APHIS will continue to contribute 8 percent of the funds for the operation of the sterile moth rearing facility. APHIS will not purchase the additional equipment needed to expand the production capacity of the sterile moth rearing facility. The expanded production capacity would be necessary if APHIS conducted a 3 year Integrated Pest Management demonstration project using pheromone systems, sterile moth release, and short-season cultural practices.

- (o) A decrease of \$674,000 for the pseudorabies program (\$4,143,000 available in FY 1993).

Need for Change. APHIS fully supports this cooperative State-Federal-industry program to eradicate pseudorabies. However, the Agency believes that States and industry have gained sufficient program expertise to allow for a slightly increased role in accomplishing the goals of the industry-developed 10-year eradication plan.

Nature of Change. APHIS will continue to provide direct support for local programs to control or eradicate pseudorabies, but at a reduced level. The Agency will continue to provide national program coordination, technical advice, regulatory assistance, public information, and recordkeeping at a slightly reduced level.

- (p) A decrease of \$2,400,000 for the Russian wheat aphid (RWA) program line-item (\$2,400,000 available in FY 1993).

Need for Change. Since the RWA program is dedicated to biological control technologies in APHIS, and utilizes the same staff and facilities involved in biological control programs, the Agency believes that the RWA program should be merged into the biological control line item.

Nature of Change. APHIS will no longer fund the RWA program as an individual line item. In FY 1994, program activities will be supported under the biocontrol program. The biocontrol line item includes funds of \$2.4 million to continue the RWA program.

- (q) An increase of \$2,583,000 for the scrapie program (\$846,000 available in FY 1993).

Need for Change. The current scrapie program provides funding for limited surveillance and monitoring of infected and source flocks,

epidemiologic tracing, and appraisals for limited Federal indemnity. Also, scrapie funds support the Scrapie Investigation Center in Mission, Texas and cooperative research to develop a preclinical diagnostic test and determine routes of transmission.

In addition to current program activities, the sheep industry, States, and USDA recognized a need for an effective regulatory program to reduce the incidence of scrapie, control the spread of the disease, and design a program in which flocks can be certified as scrapie-free. For this reason, a Scrapie Negotiated Rulemaking Advisory Committee was established in FY 1990. The key committee recommendations included two proposed regulations: (1) implementation of a voluntary flock certification initiative and (2) a one-time depopulation program for known-infected flocks.

APHIS will use contingency funds to pay indemnities in FY 1993. Owners of known infected flocks must agree to enter a flock certification program to receive indemnity. Once these funds are exhausted, no further funding will be provided for indemnity. Interstate movement restrictions will be placed on infected or source flocks not participating in the program. Funding is needed to provide for certification program setup and implementation costs.

Nature of Change. Funding would provide for setup and implementation costs of the Voluntary Scrapie Flock Certification Program, as recommended by the Scrapie Negotiated Rulemaking Committee. Setup costs include development of a data management system, purchase of computers, purchase of readers for electronic identification devices, and training and certification of pathologists in diagnostic laboratories participating in the program. Implementation costs include inspection and monitoring of participating flocks, producer education, epidemiologic investigations and tracebacks, and records and data management. The field work force would be increased in States with high flock participation. Although indemnity paid under the current scrapie program will be eliminated, other current program activities such as surveillance, monitoring, and traceback would remain in place for flocks which do not participate in the voluntary certification program.

- (r) An increase of \$500,000 for sweetpotato whitefly (SPW) program (\$3,000,000 available in FY 1993).

Need for Change. The SPW program's goal is to introduce natural enemies of SPW into the United States that will reduce its populations below the economic injury level, and reduce the demand for insecticides. The SPW attacks over 500 crop and ornamental species. Crops include alfalfa, broccoli, cabbage, carrots, cantaloupe, cauliflower, celery, citrus, cotton, cucumber, eggplant, honeydew melon, lettuce, peanuts, peppers, squash, tomatoes, poinsettias, and other ornamentals. The whiteflies suck juices from plants and transmit viruses and other diseases. They also secrete honeydew, a sugary substance that nourishes mold and bacterial growth of plants. A black mold that develops on the open cotton boll fibers can cause significant economic losses. The SPW has been recovered and identified in field populations throughout the Southern region of the United States and in greenhouses as far north as Canada. Because the SPW has been proven to be highly resistant to chemical control methods and has no effective natural enemies, the amount of damage caused has significantly increased. In 1992, the cotton strain of whitefly caused million dollar losses in southeastern California and in Florida. Whitefly populations have dramatically increased in the last 3 years, causing tremendous economic losses throughout the agricultural community. In November 1991, California declared an emergency in Imperial and Riverside Counties, which provide most of the nation's winter vegetable supplies. Until effective natural enemies are found, an increasing amount of fruits and vegetables will be at risk.

Nature of Change. In response to the SPW threat, APHIS will increase cooperative efforts with ARS and CSRS in expediting and intensifying a

program to evaluate and implement biological control technology for use against the SPW outbreak. APHIS will increase surveys to determine the extent of SPW infestations. These surveys would enable APHIS to identify the pest's native natural enemies and establish exotic natural enemies to determine their rate of natural dispersal. The Agency will increase mass production and release of natural enemies, monitor the establishment and dispersal of these natural enemies, and evaluate their biological and economic impact. In addition, APHIS will start evaluating the use of insect pathogens on SPW control.

- (s) An increase of \$1,705,000 for the tuberculosis (TB) program (\$3,860,000 available in FY 1993).

Need for Change. The objective of the TB program is to eradicate bovine TB from the United States; however, the current TB program only provides funding to reduce the incidence of bovine tuberculosis and prevent the spread of the disease. Several program components must be expanded in order to meet this goal. Chief among them is the payment of indemnity.

TB in Cervidae and Camelidae has increasingly become a problem. At the end of September 30, 1992, there were 13 known infected deer or elk herds in Idaho, Montana, Colorado, Nebraska, Oklahoma, Texas, Wisconsin, and New York. APHIS is conducting an in-depth risk assessment of TB and reviewing programmatic changes, such as including deer and elk in interstate movement regulations and eventually adding deer and elk to the TB Uniform Methods and Rules.

Presently, resources are not available to conduct thorough investigations of all feedlot origin TB cases. The proposal would allow for more effective investigations of feedlot cases to determine exposure in the feedlots and to conduct tracing to source herds. In addition, more resources are needed to develop more effective diagnostic tests for TB. Funding is needed to help move the United States towards the 1998 goal of bovine TB eradication.

Nature of Change. Funding would provide for increased TB eradication activities including funds for depopulation of 100 percent of the exposed animals traced to new herds and all but the larger dairy herds. Special procedures such as the task force approach in tuberculosis high risk areas of Puerto Rico, parts of Louisiana, New Mexico, and Texas would be carried out. Funds would be provided to support the U.S.-Mexico joint effort of eliminating the TB threat to the American cattle industry. Funds would allow for APHIS to more effectively manage Bovine TB in Cervidae and Camelidae raised under agricultural conditions.

Funds would allow for expanding traceback investigations of TB beyond the feedlot for steers that originate in the United States and may have been exposed to tuberculosis at their herd of origin. In addition, funds would be provided to improve monitoring and detection of infection. For example, the development and application of serological surveillance tests and procedures for bovine tuberculosis would continue. These new technological approaches for the eradication and control of TB will be coordinated with the Agricultural Research Service. The U.S. would move toward the 1998 goal of eradication of bovine TB.

- (t) A decrease of \$1,304,000 for the witchweed program (\$5,386,000 available in FY 1993).

Need for Change. The program's goal is to prevent the spread of witchweed to host crop producing areas in the United States and move toward eventual eradication of this pest. Witchweed is a parasitic plant that attacks corn, sorghum, sugarcane, rice, and more than 60 species of the grass family. Witchweed kills its host by robbing it of water and nutrients, thus preventing the crop from producing any yield. APHIS plans a 1995 phase down of the witchweed eradication program. From 1991 to 1993, a reduction of 67 percent in witchweed infested acreage was accomplished, leaving about 40,000 acres for eradication.

As less acres remain to be eradicated, fewer personnel will be needed to operate the program.

Nature of Change. The decrease is consistent with the planned phase down of the program. As less acres remain to be eradicated, fewer personnel will be needed to operate the program. APHIS will conduct survey, regulatory, and control activities to reduce witchweed infested acreage. Approximately 12,000 acres will be treated during 1994 by using control measures, such as specific herbicides, soil fumigants, and a seed stimulant.

5) A net increase of \$198,000 for animal care activities, consisting of:

- (a) An increase of \$130,000 which reflects a 2.7 percent increase in non-salary costs.
- (b) An increase of \$164,000 which reflects the annualization of the FY 1993 pay raise.
- (c) A decrease of \$93,000 for administrative efficiency.

Need for Change. To promote the efficient use of resources for administrative purposes, in keeping with the President's Executive Order, total USDA baseline outlays for these activities will be reduced by 3 percent in FY 1994, 6 percent in FY 1995, and 14 percent in FY 1997.

Nature of Change. To achieve the savings in these line items, the Agency will reduce travel, utilities, rent, printing and reproduction, cooperative agreements, and supplies.

(d) A decrease of \$3,000 for FTS 2000 funding.

This decrease reflects lower long distance telecommunications prices due to price redeterminations in the FTS 2000 contracts.

5) A net increase of \$4,243,000 for scientific and technical services activities consisting of:

- (a) An increase of \$653,000 which reflects a 2.7 percent increase in non-salary costs.
- (b) An increase of \$651,000 which reflects the annualization of the FY 1993 pay raise.
- (c) A decrease of \$501,000 for administrative efficiency.

Need for Change. To promote the efficient use of resources for administrative purposes, in keeping with the President's Executive Order, total USDA baseline outlays for these activities will be reduced by 3 percent in FY 1994, 6 percent in FY 1995, and 14 percent in FY 1997.

Nature of Change. To achieve the savings in these line items, the Agency will reduce travel, utilities, rent, printing and reproduction, cooperative agreements, and supplies.

(d) A decrease of \$17,000 for FTS 2000 funding.

This decrease reflects lower long distance telecommunications prices due to price redeterminations in the FTS 2000 contracts.

(e) A decrease of \$164,000 for animal damage control methods development program (\$9,517,000 available in FY 1993).

Need for Change. The mission is to protect American agriculture and other resources through identification, demonstration, and application of effective methods for controlling wild and free ranging animals that are detrimental to agriculture, other wildlife, and public safety.

Nature of Change. Funds will continue to be used to support a program that focuses on maintaining and improving current methods for controlling damage caused by wild and free ranging animals; and to continue to search for alternative methods. APHIS will slow the pace of reregistration of the program's lowest priority vertebrate pesticides to adjust for the budget reduction.

- (f) A decrease of \$102,000 for biotechnology and environmental protection program (\$7,652,000 available in FY 1993).

Need for Change. The need to devote additional resources in other areas, principally AQI, international programs, and TB eradication, necessitate a modest budget reduction for biotechnology and environmental protection in FY 1994.

In FY 1992, APHIS consolidated its three environmentally related units--Environmental Analysis and Documentation (EAD), Technical and Scientific Services (TSS) staff, and the National Monitoring and Residue Analysis Laboratory--under one division. This represents the first step toward establishing a "circle of environmental protection" within APHIS by bringing together the Agency's environmental planning, monitoring, and evaluation functions. This is expected to generate some savings in FY 1994 through increased efficiency. APHIS' EAD unit currently includes 12 temporary employees specifically hired to prepare the programmatic Medfly Environmental Impact Statement, which is due to be completed in FY 1993.

Nature of Change. In the biotechnology area, APHIS will devote most of its energies toward conducting reviews of licenses and permits. As the workload increases, we would not sacrifice the quality of reviews, choosing instead to prioritize requests and address those with the highest ranking in a systematic fashion. We will curtail activities devoted to international harmonization of biotechnology regulations aimed at preventing potential trade barriers.

In environmental protection, we would continue implementation of the "circle of environmental protection" concept by further integrating activities of the Environmental Analysis and Documentation staff with the National Monitoring and Residue Analysis Laboratory (NMRAL) at Gulfport, Mississippi, and the headquarters-based TSS staff. We will continue to prepare environmental documents in a prioritized fashion. Outside contractors will be used for preparation of many environmental statements on major APHIS programs, the cost of which will be borne by the affected program line items. The 12 temporary employees currently involved in preparation of the Medfly environmental impact statement, which will have been completed by the beginning of FY 1994, would be terminated.

The TSS staff would be reduced, with a focus on maintaining Agency access to control tools. The reduction will also be offset at NMRAL by reliance on contracting for work to help pay operating and equipment costs and with some reduction in responsiveness to program needs. In addition, costs for specific monitoring projects will be assessed in full to the individual line items for the programs being monitored.

- (g) An increase of \$2,507,000 for the Integrated Systems Acquisition Project (ISAP) (\$2,507,000 available in FY 1993).

Need for Change. ISAP is an Agency initiative to establish a mechanism to procure ADP equipment, software, and services which will enable APHIS' many information management applications to be developed and operate in a consistent, common ADP environment. This procurement is designed to replace the Agency's current mixture of incompatible, antiquated ADP systems. The ISAP initiative will improve the delivery and administration of Agency programs by integrating technologies and information across all levels of the Agency.

This project is being implemented at a time when APHIS, as a result of its strategic planning process, has recognized that it must place a greater emphasis on its role as a collector and disseminator of

information relevant to animal and plant pests, pathogens, and diseases.

We expect additional benefits to all APHIS programs; following are two examples of how ISAP will improve data base management within APHIS. The Agency's Veterinary Services Unit has a number of independent noncompatible databases which are used to track disease outbreaks. ISAP will allow the implementation of the Brucellosis Reporting System, Recorded Emergency Animal Disease Information System, and Tuberculosis Information Management System data bases, which will all be compatible and be able to share information with the National Animal Health Monitoring System data base. The Plant Protection and Quarantine Unit has four data bases at various stages in the system life cycle, which target APHIS's support of plant programs. The Pest Information Network, the Export Certification Project, the Emergency Response Automated Data System, and the National Agricultural Pest Information System will benefit from ISAP. The increased timeliness and accessibility of centralized essential information will shorten response time to disease outbreaks and save American agriculture hundreds of millions of dollars.

Another category of benefits to APHIS, as a result of ISAP, will be in the area of expanded management information access. Programs like the Direct Customer Support System, the Management Support System, and the Animal Damage Control Management Information System, are all programs where increased management involvement and awareness will be possible as a result of ISAP.

The systems life benefits, for those eight programs discussed above (out of 158 APHIS programs), exceed \$850 million, whereas the equipment and software to be procured under ISAP (for all 158 programs) will cost less than one-third of that amount. These benefits will improve productivity, commonality, and management dissemination of information.

The total estimated cost of the project for full implementation at all APHIS sites is approximately \$251 million. The system life of the project is estimated at 10 years to achieve full implementation benefits. Older equipment, such as non state-of-the-art microcomputers, would be utilized until the end of the 5-year procurement process.

Nature of Change. The funds requested will finance the third budget year of a multi-year acquisition. Procurement will include computer hardware, software, and management services. Funds will also be provided to operate a small staff of technical and procurement specialists to manage the contract.

- (h) An increase of \$614,000 for veterinary biologics program (\$9,729,000 available in FY 1993).

Need for Change. Under the authority of the Virus-Serum-Toxin Act, APHIS regulates the sale, manufacture, and distribution of veterinary biologics in the United States. In recent years, APHIS has been challenged to meet a steadily growing volume of license submissions, which are expected to almost double between 1990 and 1994. At the same time, complexity of these products has increased at a tremendous rate. This rise in complexity has in turn generated a sharp elevation in the number of consumer requests for information about the safety and use of these products. Finally, the rapid growth in international trade has increased the need to harmonize veterinary biologics regulations between nations. Harmonization is vital to the reduction of trade barriers that would disrupt the flow of beneficial biologics to American agriculture, and helps foster the growth of the American biologics industry.

Nature of Change. This funding level would allow the licensing unit to add three technical reviewers to its staff to help keep pace with the increasing volume and complexity of submissions. The positions would also support activities aimed at reducing regulatory barriers to U.S. biological products and revising regulatory procedures to reflect the

changing technology. In addition, the increase would allow the program to expand consumer information activities and increase the frequency of pre-licensing inspections of manufacturing facilities.

- (i) An increase of \$602,000 for the veterinary diagnostics (VD) program (\$14,335,000 available in FY 1993).

Need for Change. APHIS is performing laboratory procedures, some derived through biotechnology, for disease eradication programs, export testing, and foreign animal and poultry disease diagnostic work. New technological procedures are critical because they provide the Agency with the efficient, accurate, and timely diagnostics required in the various programs. In addition, they enable APHIS to conduct increasingly definitive tests and procedures which will lead to decreasing animal and poultry disease losses, enhancement of exports, and assurances against entry of foreign animal and poultry diseases.

Nature of Change. Increased funding will provide for diagnostic support, including differential diagnosis and diagnostic laboratory assistance, to the livestock and poultry industry of the United States. There would be expanded development of diagnostic procedures by molecular biological techniques. It will also provide for the development and evaluation of new diagnostic procedures derived through biotechnology with particular emphasis on the rapid and accurate identification of foreign animal and poultry diseases.

Animal and Plant Health Inspection Service
Geographic Breakdown of Obligations and Staff-Years
1992 Actual and Estimated, 1993 and 1994

	1992		1993		1994	
	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>
Alabama.....	5,672,630	78	5,812,000	81	5,882,000	82
Alaska.....	503,917	7	516,000	7	523,000	7
Arizona.....	7,292,084	100	7,343,000	103	7,431,000	104
Arkansas.....	3,109,388	43	3,186,000	45	3,224,000	45
California....	26,789,407	418	42,102,000	482	20,359,000	400
Colorado.....	17,743,605	300	18,165,000	305	18,382,000	300
Connecticut...	584,725	8	599,000	8	606,000	8
Delaware.....	559,456	8	573,000	8	580,000	8
Florida.....	24,217,099	337	24,641,000	345	24,936,000	351
Georgia.....	7,017,661	116	7,178,000	116	7,264,000	116
Hawaii.....	17,776,056	250	18,213,000	255	18,431,000	250
Idaho.....	3,066,023	53	3,091,000	53	3,127,000	43
Illinois.....	2,440,614	34	2,356,000	33	2,385,000	33
Indiana.....	1,417,102	19	1,430,000	20	1,448,000	20
Iowa.....	21,049,527	280	20,366,000	279	20,610,000	276
Kansas.....	1,939,758	27	1,987,000	28	2,011,000	28
Kentucky.....	2,349,322	32	2,387,000	33	2,415,000	33
Louisiana.....	5,741,701	79	5,883,000	82	5,953,000	83
Maine.....	2,223,211	27	1,725,000	24	1,745,000	24
Maryland.....	56,583,332	760	57,535,000	772	55,823,000	700
Massachusetts.	8,012,094	111	8,006,000	112	8,102,000	114
Michigan.....	4,381,803	65	4,474,000	67	4,528,000	68
Minnesota.....	10,748,454	139	10,791,000	140	10,136,000	123
Mississippi...	6,728,455	93	6,894,000	97	6,977,000	99
Missouri.....	3,996,841	55	4,095,000	57	4,144,000	58
Montana.....	4,093,769	56	4,179,000	59	4,229,000	60
Nebraska.....	1,775,965	24	1,789,000	25	1,810,000	25
Nevada.....	2,028,128	28	2,078,000	29	2,103,000	29
New Hampshire.	703,791	10	721,000	10	730,000	10
New Jersey...	8,648,653	122	8,861,000	124	8,968,000	126
New Mexico...	2,524,182	35	2,586,000	36	2,617,000	36
New York.....	17,602,115	252	18,020,000	252	18,236,000	256
North Carolina.....	8,518,526	148	8,656,000	144	8,759,000	146
North Dakota.	2,964,942	40	3,002,000	42	3,038,000	42
Ohio.....	1,823,650	24	1,810,000	25	1,831,000	25

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	1992		1993		1994	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Oklahoma.....	3,189,032	44	3,267,000	46	3,307,000	45
Oregon.....	5,379,095	51	3,764,000	53	3,810,000	53
Pennsylvania..	4,153,086	57	4,255,000	60	4,306,000	60
Rhode Island..	946,246	13	970,000	14	981,000	14
South Carolina.....	5,449,031	75	5,571,000	78	5,638,000	78
South Dakota..	1,507,003	21	1,544,000	22	1,563,000	22
Tennessee.....	3,167,420	43	3,233,000	45	3,272,000	45
Texas.....	36,790,206	623	37,567,000	631	38,017,000	640
Utah.....	8,655,955	118	8,801,000	124	8,907,000	126
Vermont.....	678,017	9	695,000	10	703,000	10
Virginia.....	1,611,646	22	1,635,000	23	1,654,000	23
Washington....	9,317,865	60	3,817,000	53	3,863,000	53
West Virginia..	798,177	11	805,000	11	814,000	11
Wisconsin.....	3,179,163	44	3,147,000	44	3,184,000	44
Wyoming.....	1,761,373	24	1,805,000	25	1,826,000	25
Wash., DC.....	6,621,806	88	6,987,000	91	6,548,000	82
Puerto Rico...	23,332,039	172	23,640,000	180	12,968,000	180
Virgin Islands.....	442,309	4	453,000	4	459,000	4
Asia/Pacific..	988,690	6	1,013,000	6	1,025,000	6
Bahamas.....	430,333	8	441,000	8	446,000	8
Central America.....	6,870,980	30	7,040,000	33	7,124,000	34
Chile.....	300,748	3	308,000	3	312,000	3
Colombia.....	1,744,450	4	1,787,000	4	1,809,000	4
Dominican Republic.....	320,601	5	328,000	5	332,000	5
Europe/Africa..	1,265,595	6	1,297,000	7	1,312,000	7
Guam.....	327,509	5	335,000	5	340,000	5
Guatemala.....	3,407,967	18	3,492,000	20	3,534,000	20
Haiti.....	200,835	1	206,000	1	208,000	1
Mexico.....	28,332,144	197	28,810,000	202	29,155,000	207
Panama.....	971,155	2	995,000	2	1,007,000	2
Venezuela.....	307,744	2	315,000	2	318,000	2
Total, available or estimate.....	455,076,216	5,944	469,373,000	6,110	438,085,000	5,947

Note:

- (1) Total staff-years for FY 1992, 1993, and 1994 are 6,244, 6,530, and 6,470 respectively when staff-years for miscellaneous trust funds and reimbursements are included.
- (2) The total for 1993 includes estimated spending of \$25.9 million of CCC funds for the fruit fly emergency program in California.

ANIMAL AND PLANT HEALTH INSPECTION SERVICE

SALARIES AND EXPENSES

STATUS OF PROGRAM

PEST AND DISEASE EXCLUSION

Current Activities: The Animal and Plant Health Inspection Service (APHIS) conducts agricultural inspections and international pest and disease programs, to prevent exotic plant and animal pests and diseases from entering the United States (U.S.). Preventing the entry of exotic pests and diseases is increasingly challenging in the expanding global environment. International travel continues to increase. International trade has also increased, as a growing number of traditional and non-traditional agricultural products are imported and exported. The accelerating international activity increases the risk that pests and diseases will spread. Each person, bag, and import or export commodity could carry a pest or disease capable of causing a major outbreak. APHIS continues to conduct successful international control and eradication programs, and has expanded the number of items it monitors. Specific program efforts through which the Agency defends U.S. agriculture from pest and disease introductions are:

Inspection along U.S. borders and at ports-of-entry. Along with manual inspections, the Agency is exploring and utilizing alternative inspection methods and technologies. Each year, APHIS performs more inspections with X-ray systems and detector dogs. The use of new technologies has improved the overall efficiency and effectiveness of inspections.

Inspection of imported and exported animals. The Agency ensures that all exported livestock, live poultry, hatching eggs, bovine semen, and bovine embryos have been inspected and certified free from contagious diseases. Exports must also comply with health agreements between the U.S. Department of Agriculture (USDA) and importing countries. The Agency routinely meets with international agricultural health officials to facilitate international trade by clarifying and amending import requirements, as necessary.

Eradication and control of pests and diseases in foreign countries. The Agency combats pests and diseases in foreign countries, thus reducing their threat to the United States. APHIS works with international agricultural groups to keep Mexico and Central America free of foot-and-mouth disease and other exotic animal disease; to continue screwworm eradication through Central America; to eradicate Mediterranean fruit flies from Guatemala; and to prevent Mexican fruit flies from infesting northwestern Mexico.

Selected Examples of Recent Progress:1. Agricultural Quarantine Inspection

In FY 1992, 40 million passengers arrived at U.S. ports, an increase of almost 5 million over FY 1991. Passenger arrivals are projected to steadily increase to the year 2000. APHIS continued to work with the U.S. Customs

Service to expedite the clearance of passengers while maintaining adequate protection for American agriculture. Preclearance at domestic and overseas locations provides a high level of protection to U.S. agriculture.

APHIS continued to use specially trained dogs to detect prohibited items at international airports. In FY 1992, APHIS added nine new detector dog teams. The current 33 detector dog teams are located in 17 major airports and post offices in the United States. Honolulu, Los Angeles, and San Francisco post offices have dog teams.

The Agency continued using X-ray equipment as a screening tool in passenger baggage clearance. Currently, APHIS uses 74 X-ray machines at major airports and land border stations. The clearance units are located at 17 foreign-arrival sites and 8 departure sites. They include: San Juan (10), Miami (3), Hawaii (31), Chicago (2), JFK/New York (4), Houston (2), Boston (1), Atlanta (1), Dulles/Washington, DC area (1), Los Angeles (4), San Francisco (2), Elizabeth, New Jersey (2), Seattle-Tacoma (1), Dallas (2), San Jose (1), Orlando (1), San Ysidro (2), Hoboken, New Jersey (1), Roosevelt Road Navy (1), Mayaguez (1), and Ponce (1).

APHIS uses its civil penalty authority for inadequate notice of arrivals, passenger baggage violations, and maritime garbage violations. In FY 1992, APHIS collected about \$1.7 million in violations, assessing approximately 36,700 civil penalties. The program has been very successful in reducing the number of illegal importations and violations. In addition, the Agency inspects cargo and carriers entering the United States. APHIS conducted inspections of about 50,000 ships and over one million regulated and miscellaneous cargo this fiscal year.

Development of the Export Certification Project (EXCERPT) continued in FY 1992. EXCERPT will make the import requirements of foreign countries for plant products available from a data base accessible to APHIS personnel and State cooperators by personal computers. The EXCERPT Advisory Committee (EAC), composed of APHIS and State Plant Board representatives, completed several essential steps toward implementation. The EAC worked with Purdue University's Center for Environmental and Regulatory Information System group, and conducted an acceptance test of the centralized database. As a result of the test, the system was accepted and implementation is planned for spring 1993.

During FY 1992, APHIS investigated 312 complaints of possible violations to plant health regulations. Also, 438 formal cases were initiated as a result of the findings of investigated complaints. The Agency issued 112 warnings and forwarded 98 cases to the Office of the General Counsel for final disposition.

The Farm, Agriculture, Conservation and Trade Act, as amended by the Omnibus Budget Reconciliation Act of 1990, authorized APHIS to collect user fees for AQI services. On May 13, 1991, APHIS implemented fees for international aircraft passenger inspections and loaded railcars. On July 1, 1991, APHIS implemented fees for inspections of commercial vessels and commercial trucks. User fees for export certification were implemented during FY 1992. The Agency collected an estimated total of \$106.40 million in FY 1992.

2. Foot-and-Mouth Disease

Panama and Central America

APHIS, in cooperation with animal health officials and other international organizations such as the International Regional Agricultural Health Organization (OIRSA), the Pan American Health Organization (PAHO), and the Inter-American Institute for Cooperation in Agriculture (IICA), has continued to prevent foot-and-mouth disease (FMD) from entering Panama, Central America, Mexico, and the United States.

The Panama program conducted active FMD field surveillance in the immediate Colombian border area in support of the FMD-free area in Colombia. Also, APHIS continued support for the high security Vesicular Disease Diagnostic Laboratory in Panama City, Panama, to ensure reliable and timely diagnostic capabilities for FMD detection throughout Central America. During FY 1992, 374 Central American FMD-suspect biological specimens were processed at this laboratory. None of these specimens tested positive for FMD. However, 141 of a total of 302 investigations, were positive for vesicular stomatitis (VS), a disease clinically indistinguishable from FMD.

Colombia

In Colombia, APHIS provided financial and technical assistance to the Colombian Agricultural Institute (ICA) and USDA's Cooperative FMD Control Program. The program continued to maintain the FMD-free area in Colombia, contiguous with, and southeast of the border with Panama.

In October 1991, USDA certified that Colombia has satisfied the minimum criteria to prevent the movement of FMD into Panama via the Pan American Highway. Such certification should allow release of the U.S. Department of Transportation funds to pay for a portion of the remaining construction of the highway through the Darien Gap, connecting Colombia with Panama.

Mexico

APHIS continued its successful exclusion of FMD and other foreign animal disease (FAD) exclusion in Mexico. Efforts were concentrated on: 1) communicating preventive measures, including day-to-day consultation on importation of livestock and animal byproducts; 2) maintaining the capability of rapid detection of FAD entering Mexico; and 3) developing a state of readiness to contain and eradicate any FAD as soon as it is diagnosed.

During FY 1992, there were 162 FAD investigations. Of the vesicular investigations, 19 were positive to VS type New Jersey and 23 were negative. None of these specimens tested positive for FMD.

Significant events occurring during FY 1992 included the reinfestation of screwworm in cattle in Mexico; the first positive diagnosis of the parasitic bee mite Varroa jacobsoni, in the States of Veracruz, Oaxaca, Tamaulipas, and Puebla; and the first positive diagnosis in 20 years of the tick Boophilus microplus, in the State of Sonora.

During this period, no positive cases of viral hemorrhagic disease of rabbits occurred, indicating that the disease has been successfully eradicated.

3. Import/Export Inspection

Export Animals

In FY 1992, APHIS negotiated with several countries to establish, update, or revise protocols for the exportation of U.S. origin animals, semen and embryos. Countries whose protocols were updated or revised included Canada, Mexico, Australia, New Zealand, Japan, Romania, Poland, Sweden, the European Community (EC), Nicaragua, Chile, Ukraine, and Argentina. Agriculture Canada agreed to allow bluetongue testing to qualify U.S. cattle, semen, and embryos using the competitive ELISA test. Australia devised a less restrictive protocol for horse imports, as did New Zealand for bovine embryo imports. The Ukrainian and Romanian governments agreed to protocols developed for U.S. cattle, semen, and embryo exports.

APHIS provided the main spokesperson for the U.S.-Mexico Animal Health Working Group. This group discussed the porcine reproductive and respiratory syndrome (PRRS), which led to certification statements enabling continued marketing of U.S. swine to Mexico. The marketing of U.S. cattle to Egypt was re-opened, with the Egyptians agreeing to accept certification statements for testing U.S. cattle exports. For the first time since the 1980's, hooved stock were sent to Europe. Bison shipments were sent to Belgium and Spain, and a buffalo and a Brahma steer were sent to EuroDisney in France.

APHIS regulatory and scientific officials presented information to the EC on bluetongue in the U.S. The EC agreed to allow semen to be exported from bluetongue seronegative bulls in a seronegative population year-round without virus testing the bulls. In addition, the EC harmonized its import requirements for bovine embryos exported from the U.S. These requirements include testing of the donor cows for bluetongue and epizootic hemorrhagic disease at least 21 days post-collection. The EC has also harmonized their temporary import health requirements for U.S. horses for permanent imports.

Import Animals

APHIS finalized regulations on bovine embryo importation from FMD-affected countries; these regulations took effect on November 29, 1991. In response to requests from prospective importers, the Agency is negotiating protocols with Zimbabwe, Venezuela, and Brazil to import bovine embryos. Two animal importations from foot-and-mouth disease (FMD)-affected countries were conducted in FY 1992. The first consisted of 432 head of llamas and alpacas which were released from the Harry S Truman Animal Import Center (HSTAIC) in December 1991. The second was from France and consisted of 330 swine; these swine were released in August 1992. APHIS supervised the quarantines in Bolivia and France on both importations. Another importation consisting of swine originating from Germany was initiated during FY 1992. A USDA team supervised the pre-embarkation quarantine and testing in Germany.

APHIS developed import policy for horses returning to the U.S. after competing in the 1992 Olympics in Spain. Owners of U.S. horses were given the option of returning the horses directly to the U.S. and undergoing a quarantine in the New York Animal Import Center or establishing residency in an European country free of African Horse Sickness for 60 days and then returning to the U.S.

APHIS developed protocols to import goat embryos from Zimbabwe through Australia and New Zealand for research. The recipients and offspring derived from the embryos will be held in post-entry State quarantine because of scrapie, which is prevalent in Zimbabwe.

APHIS developed a protocol allowing Mexican heifers to be spayed before importation and requiring a tuberculosis test when animals are gathered for the surgery. These animals must be presented at the port within 60 days of surgery. If positive identification of these animals cannot be made, the animal may not enter the U.S. as a spayed heifer.

APHIS issued over 1,000 permits in FY 1992 for the transit and importation of livestock; wild ruminants; equine; the semen and embryos from livestock, wild ruminants, and equine; and blood and tissue samples for diagnostic tests.

APHIS met with officials of Bophuthatswana regarding the importation of wild swine and ruminants from South Africa. USDA personnel also inspected and approved an embarkation quarantine facility in Bophuthatswana for wild ruminants and wild swine for export to the U.S.

Animal Products

In FY 1992, APHIS officially recognized Poland as FMD-free and Chile as free of velogenic viscerotropic Newcastle disease (VVND) and swine vesicular disease (SVD). APHIS conducted evaluations of FMD situations in The Netherlands and France. In addition, APHIS evaluated requests from Austria to be recognized as free of FMD, SVD, and VVND; from Korea for FMD; from Hungary for FMD; and from Panama for VVND. As of September 30, 1992, these requests were still pending because APHIS requested additional information to clarify their animal and poultry disease status.

In September 1992, Denmark was added to the list of countries where bovine spongiform encephalopathy (BSE) has been reported. Final regulations related to BSE and transiting of products from certain countries restricted because of FMD and SVD took effect on September 16, 1992. In addition, a final regulation authorizing the transiting of pork products through the U.S. from the State of Sonora in Mexico took effect on June 5, 1992.

APHIS cooperated with Spain to complete studies on the inactivation of FMD, hog cholera, SVD, and African swine fever viruses during the processing of pork products. Results of this study were published in a scientific journal called *Food Microbiology* in November 1992.

In FY 1992, APHIS cooperated with the Uruguay to complete a project on the FMD inactivation in cooked beef patties in Uruguay. This study's results were published in the Journal of Food Protection.

In FY 1992, APHIS issued 5,881 permits authorizing the importation of organisms, vectors, biological materials, and animal products and byproducts. This was an increase of 706 permits over the number issued in FY 1991.

Avian Import Activities

In FY 1992, APHIS released 99 lots, totaling 271,913 birds, from quarantine and refused entry to 2 lots, totaling 743 birds, because of VVND. In FY 1992, APHIS quarantined 1,442 birds all of which tested negative for VVND. A total of 1,064 birds illegally transported into the U.S. were seized and quarantined at APHIS facilities and eventually sold.

APHIS prevented the entry of a large shipment of emu infected with Salmonella enteritidis (SE). The Agency received 105 emu at Newburgh, 79 of which were infected with SE and refused entry. The remaining emus did not complete their quarantine. The shipping containers for imported commercial birds and ratites were swabbed and submitted to the National Veterinary Services Laboratory for SE isolations. In FY 1992, one swab of a shipping container

used to import parakeets from Peru was contaminated with SE. Additional testing failed to detect any infected birds in this shipment and the parakeets were released.

4. International Programs

Foreign Disease and Pest Exclusion

APHIS veterinarians and plant health specialists worked closely with foreign governments and industry, particularly in Mexico, Central America, South America including the Andean countries, Italy, Kenya, Haiti, Japan, Taiwan, and Korea, to protect American agriculture. APHIS established a position in Seoul, Korea, but eliminated positions in the Ivory Coast and India. APHIS personnel also ensured the biological safety of animals, plants, and products coming into the United States through inspection and certification of foreign facilities and carriers. In FY 1992, APHIS continued to conduct preclearance inspections of fruits, vegetables, and a limited amount of propagative material in 20 countries worldwide. Commodity preclearance overseas provides the United States with additional protection against the introduction of plant pests and diseases by detecting and eliminating pests at their origin.

FY 1992 preclearance activities in Chile, a major supplier of winter fruits and vegetables to the United States, remained stable at about 60 million cartons. In addition, the APHIS Dutch bulb program precleared in excess of 1 billion bulbs which were destined to the United States for fall planting. Preclearance programs for mangos subject to a hot-water dip treatment continued in Mexico, Haiti, Brazil, Venezuela, Peru, and Ecuador. A major military preclearance program was successfully completed in Saudi Arabia following Operation Desert Storm. APHIS continued preclearance programs for Japanese and Korean sandpears; Mexican citrus, mangos, and other fruits; New Zealand and Australian apples and pears; and United States military personnel, supplies, and equipment from over 70 bases overseas.

Export Facilitation

The Agency has increased its efforts in the facilitation of U.S. agricultural exports worldwide through bilateral discussions with many countries including Japan, Australia, Chile, New Zealand, Korea, and Taiwan. APHIS participated in the Uruguay Round of the General Agreement on Trade and Tariffs negotiations and the United States/European Community Working Groups on phytosanitary and sanitary matters, the North American Free Trade Agreement negotiations, and the Mexico/United States working groups on phytosanitary and sanitary issues. In support of this, APHIS attaches stationed abroad increased their efforts and activities in identifying, negotiating, and eliminating technical zoosanitary and phytosanitary trade barriers that impede U.S. agricultural exports.

5. Mediterranean Fruit Fly

APHIS continued to work with the California Department of Food and Agriculture to cooperatively eradicate infestations of the Mediterranean fruit fly (Medfly) from Los Angeles and Santa Clara Counties. Agency support to Florida continues to maintain the Caribbean Fruit Fly Export protocol.

In 1992, APHIS' sterile Medfly rearing facility in Waimanalo, Hawaii, produced more than 5.9 billion sterile flies. More than 1.1 billion went to California for use in Medfly eradication projects in FY 1992. The facility is currently producing 300 million per week for California eradication efforts. Nearly 1.7 billion sterile flies, sterile release equipment, and training of personnel were provided to the Agricultural Research Service

(ARS) in support of its Kauai eradication test. APHIS continues to supply 50 to 100 million pupae per week for the ARS pilot eradication project on Kauai. In addition, APHIS worked in cooperation with ARS in developing the National ARS Fruit Fly Research Plan. This plan ensures that research directly supports action programs.

APHIS continued efforts to prevent the northward spread of Medfly into northern Guatemala and southern Mexico. Medfly populations increased significantly in southwestern Guatemala, resulting in increased outbreaks in southern Mexico. There were 241 Medfly detection sites reported in Mexico in 1992, some as far as 110 miles from the Guatemalan border. This compares with only 25 detection sites in 1991. By the end of FY 1992 only six sites remained active, but some still show high larval populations.

APHIS maintains a network of 25,000 Medfly traps in Mexico to detect outbreaks that would threaten the United States. Also, APHIS and ARS scientists reviewed the Medfly rearing labs in Mexico and Guatemala and made suggestions that improved the quality of the sterile flies produced there.

No wild Medflies were detected in Belize in 1992. An APHIS quality control team oversaw improvements in Belize's Medfly surveillance system that allowed its papaya export program to continue.

6. Mexican Fruit Fly (MFF)

The Agency continued to conduct the MFF program in Texas and Mexico, dispersing sterile MFF's and preventing the pest from spreading to other citrus growing areas of the United States. As a result, only 14 wild MFF's were detected in the lower Rio Grande Valley during FY 1992.

MFF detection and eradication activities are carried out along the California-Texas-Mexico border, reducing the threat of infestation to California. This is a cooperative effort involving APHIS and the California Department of Food and Agriculture (CDFA). The goals of this program include strengthening the regulatory, detection, and suppression activities for MFF. For this program, 12 million sterile MFF's were released per week from June to November, and 6 million per week the rest of the year. Based on MFF detections, fruit stripping and ground bait applications are conducted.

A cooperative program for the eradication of MFF from Los Angeles County, California, was implemented in FY 1992. In November 1991, an outbreak of MFF was detected in the Los Angeles area. No MFF's have been discovered in the 99-square-mile regulated area since March 1992. While the release of sterile flies has been completed, continued trapping and regulatory activities were necessary through November 1992, in order to declare the area eradicated.

A cooperative program for the eradication of Oriental fruit fly from Los Angeles County, California, was completed in FY 1992. Oriental fruit flies were discovered in the Los Angeles area in October 1991, resulting in the establishment of a 152-square-mile regulated area. The county was declared free of Oriental fruit flies in July 1992.

APHIS produced over 2 billion pupae at the sterile fly rearing facility in Mission, Texas. The capacity of sterile fly production was doubled to meet program needs for eradicating infestations in northwest Mexico and in the State of California. The facility produced approximately 1.2 billion sterile flies for eradication efforts in California and 511 million for suppression and eradication programs in northwest Mexico in FY 1992.

During FY 1992, there were no MFF outbreaks in the Sonora fruit fly free zone. APHIS is reviewing requests to include additional areas in this free zone. Under a preclearance agreement with USDA, Sonora exporters shipped 109,000 kg of peaches and 2,675,000 kg of oranges to the United States. APHIS' joint regulatory efforts with the Mexican Secretariat of Agriculture and Water Resources revealed incidents of commercial smuggling of host fruit at road stations in Sonora and Baja California Sur.

7. Screwworm

In FY 1992, APHIS continued to successfully prevent screwworm reintroduction into the United States. The screwworm eradication program is currently active in Mexico, Guatemala, Belize, El Salvador, Honduras, and Nicaragua.

The sterile fly production facility produced and distributed over 15 billion sterile insects and field operations collected over 6,000 positive samples in FY 1992. With the successful eradication of screwworms in Libya in FY 1992, the program demonstrated sterile fly production capacity to handle an outbreak anywhere in the world.

An outbreak of screwworm occurred in Mexico in FY 1992, with 61 positive cases having been detected during the fiscal year. This occurred after Mexico had been declared screwworm-free in February 1991. In response to this outbreak, the United States and Mexico initiated an emergency eradication effort involving intensive field surveillance and sterile fly dispersal in the affected areas. Positive samples were identified in five Mexican States, with the most recent specimen collected on September 30, 1992.

Despite the screwworm outbreak in Mexico, the program made progress toward its goal of establishing a permanent sustainable barrier in Panama. Negotiations are currently underway with Panama and Costa Rica to establish cooperative programs in FY 1993.

PLANT AND ANIMAL HEALTH MONITORING

Current activities: Monitors animal and plant health to detect and react to exotic pests and disease introductions. The Agency creates and updates endemic pest and disease information bases and monitors and carries out surveys in cooperation with States and industry. The Agency also surveys for exotic plant pests and investigates reports of suspicious animal pests and diseases. Early detection reduces their spread, helps eliminate significant losses, and helps maintain pest-free status for export certification of agricultural commodities. U.S. agriculture is currently free from hundreds of foreign pests and diseases. Survey data are essential for initiating action programs, and results in better pest and disease management.

APHIS works with the States to compile two data bases: the National Agricultural Pest Information System (NAPIS) and the National Animal Health Monitoring System (NAHMS). States enter the results of plant pest surveys directly into the NAPIS database, which includes crop hosts, location, weather conditions, pest life stages, crop damage, survey and control methods used on certain pests, and trapping methods. Descriptive data about the occurrence and costs of animal health events are collected from a statistically valid sample of producers for the NAHMS database. NAHMS reports can be used by producers to improve health and production efficiency of livestock and poultry.

ANIMAL HEALTH MONITORING AND SURVEILLANCE CROSSWALK TABLE FOR FY 1992, FY 1993, AND FY 1994 (Dollars in Thousands)									
PROGRAM	FY 1992 ACTUAL	ANIMAL HEALTH MONITORING & SURVEILLANCE	FY 1992 REVISED	FY 1993 ENACTED	ANIMAL HEALTH MONITORING & SURVEILLANCE	FY 1993 REVISED	FY 1994 ESTIMATE	ANIMAL HEALTH MONITORING & SURVEILLANCE	FY 1994 REVISED
<u>Plant and Animal Health Monitoring:</u>									
Animal disease detection	16,969	(16,969)	0	16,825	(16,825)	0	17,112	(17,112)	0
<u>Zoonotic Disease Management:</u>									
Brucellosis	64,240	(32,120)	32,120	65,000	(32,000)	33,000	63,980	(32,587)	31,393
Miscellaneous plant & animal diseases	4,188	(1,234)	2,954	3,222	(1,234)	1,988	3,275	(1,254)	2,021
National poultry improvement plan	245	(245)	0	245	(245)	0	250	(250)	0
Poultry diseases	870	(870)	0	722	(722)	0	738	(738)	0
Pseudorabies	7,542	(3,771)	3,771	8,285	(4,142)	4,143	7,648	(4,160)	3,488
Swine health protection	3,656	(3,656)	0	3,586	(3,586)	0	3,698	(3,698)	0
Tuberculosis	4,031	(878)	3,153	4,738	(878)	3,860	6,492	(885)	5,607
<u>Total, Animal Health Monitoring and Surveillance</u>	--	59,743	--	--	59,632	--	--	60,684	--

The Agency maintains a cadre of trained professionals, prepared to respond immediately to potential animal and plant health emergencies. Reports of suspected exotic pests and diseases are investigated and emergency action is taken if necessary. The Agency develops pathway studies and thoroughly investigates the progression of outbreaks to determine the origin of plant and animal pests and diseases.

Selected Examples of Recent Progress:

1. Animal Health Monitoring and Surveillance

In FY 1992, APHIS continued successful disease surveillance and detection for brucellosis, pseudorabies, tuberculosis, and selected domestic poultry diseases such as velogenic viscerotropic Newcastle disease (VVND), avian influenza (AI), and Salmonella enteritidis (SE); emergency disease preparedness and response; animal health monitoring; and epidemiological delivery. Selected examples of recent progress are as follows:

a.) Animal Disease Detection

Emergency Programs

In FY 1992, the Agency conducted 240 investigations for suspected foreign animal diseases (FAD) in the United States and Puerto Rico. The following table illustrates those investigations:

Disease	FY 1991	FY 1992
Suspected vesicular conditions	102	78
Poultry diseases	58	58
Encephalitic conditions	34	16
Swine septicemic conditions	22	11
Mucosal conditions	7	17
Undesignated disease conditions	35	60
Total:	258	240

Swine blood specimens for hog cholera and African swine fever tests were collected from the New England area; California, Arizona, and Texas in the west; Alabama, Arkansas, and Georgia in the south; as well as from New Jersey, Michigan, Idaho, West Virginia, and Puerto Rico.

The Agency made two presentations at an international symposium on AI in Madison, WI. Representatives and specialists from various worldwide organizations attended the symposium where the latest information on AI was disseminated.

The Agency continued surveillance for VVND. Because of the potential devastation to poultry, surveillance was increased for wild waterfowl and domestic poultry in the Northern Mississippi Flyway.

Emergency programs and the Regional Emergency Animal Disease Eradication Organizations (READEO) reviewed and updated the READEO structure in February 1992. Key READEO staff officers developed standard operating procedures (SOP) that are now in effect. The SOP provide the READEO assigned personnel with an immediate description of tasks related to their responsibilities.

The Agency conducted an 8-day READEO exercise of simulated hog cholera outbreaks in July 1992. Two READEO's were activated simultaneously with task forces being located near San Antonio, TX, and Cincinnati, OH. The swine industry was actively involved in the planning and execution of the exercise. This was the second consecutive exercise that the Agency has conducted to test and strengthen response capabilities to potential outbreaks of emergency animal diseases in the United States.

During FY 1992, APHIS continued to increase awareness and education on FAD. Two Foreign Animal Disease Diagnostician (FADD) training courses were conducted where 40 Federal, State, military, and international veterinary medical officers gained FADD status. Two FAD seminars provided new findings and program updates on exotic animal diseases throughout the world with 70 Federal, State, and university veterinarians participating. Approximately 120 animal health technicians, tick inspectors, and livestock inspectors attended a course entitled "Foreign Animal Disease Training for Animal Health Technicians." The course was held at six locations in the United States. In addition, an emergency preparedness workshop for State veterinarians was conducted to enhance State and Federal emergency disease response capabilities.

In FY 1992, APHIS reviewed and updated its Memorandums of Understanding with universities, State laboratories, Federal agencies, and industry to expand the Agency's capability of responding to animal disease emergencies by involving these and other entities.

Four issues of the Foreign Animal Disease Report were published and distributed to approximately 7,000 readers. The report provides updates on FADs along with status reports and other information concerning current emergency preparedness and response activities. In addition, data are constantly updated and maintained through the Animal Disease Management Information Center (ADMIC). The ADMIC provides high speed retrieval of up-to-date scientific and technical information. There are more than 72,000 articles on microfilm and 3,000 articles on optical disk on domestic and FAD. Using ADMIC, the Agency published the 17th Revision of the Veterinary Services Animal Disease Thesaurus. The Thesaurus is a controlled vocabulary of veterinary medical words and phrases used to help standardize and simplify information exchange.

National Animal Health Monitoring System (NAHMS)

During FY 1992, dairy producers from 28 States participated in the National Dairy Heifer Evaluation Project. Data on disease occurrence, prevention, medical practices, and health management were collected from 1,813 dairy farms. Veterinarians visited over 1,100 of these farms to monitor clinical disease and examine young female dairy cattle.

APHIS continued analyzing the data collected in the National Swine survey. In FY 1992, APHIS personnel prepared multiple papers, presentations and lay articles. The papers were presented at the American Association of Swine Practitioners and the Minnesota Swine Conference. Economic analysis showed that death loss in preweaning piglets cost the swine industry over \$193 million during calendar year 1990.

Cattle and calf death losses for calendar year 1991 were valued at \$2.1 billion in a joint NAHMS and National Agriculture Statistics Service survey of 77,000 producers. Producers attributed the largest amount of death loss to respiratory disease (31.1 percent), digestive disease (20.6 percent), and unknown causes (15.7 percent). Current monitoring will help to clarify the causes of death.

Over 5,000 beef cattle producers from across the United States have provided information about animal health practices as part of a beef cow/calf health and productivity audit. Additional components of the audit include farm visits by veterinarians, disease monitoring, and evaluation of risk factors affecting the 1993 calf crop.

Producers from 18 States with the largest cow/calf populations will participate in the field visits of beef herds including nine new states for NAHMS (Arkansas, Kansas, Kentucky, Mississippi, Missouri, New Mexico, Oklahoma, Texas, and Wyoming). A total of 37 states currently participate in NAHMS, capturing over 60 percent of all of the major livestock commodities in the United States.

Animal Health Monitoring Activities

In FY 1992, APHIS animal health monitoring activities continued to stress analysis of data from multiple sources to enhance the detection of animal disease trends and risk assessment of new and emerging issues. Monitoring of bovine spongiform encephalopathy (BSE) around the world continued with additional requests to support the development of risk assessment capabilities in North and South America as part of the International Organization of Epizootics. While no BSE has been identified in North America, risk assessment activities contribute crucial information on how best to maintain surveillance and minimize the opportunities for BSE to enter the United States.

The Agency continued to pursue new techniques for monitoring animal diseases. Satellite images, mapping of mosquito habitat, and follow-up of sick animals on farms in Florida are helping equine owners to investigate the risk of equine encephalitis (sleeping sickness), a disease spread by mosquitos.

Patterns of additional diseases in cattle, horses, and hogs were tracked through compilation of test results from veterinary diagnostic laboratories in the United States. Nineteen laboratories from 16 States now contribute data, an increase of 5 laboratories over FY 1991. The five new laboratories are located in Kentucky, Iowa, Ohio, Oregon, and Virginia. Distribution of these reports provides important information to over 1,700 diagnosticians, veterinarians, and animal health officials.

Animal Identification

During FY 1992, APHIS continued the evaluation of bangle/plastic tags in Montana. These tags provide sow identification for Montana's pseudorabies eradication program. A field trial was conducted June 15 - August 15, 1992 to evaluate a mesh style backtag. Results of the field trial demonstrated this backtag would provide better retention than the backtag which is currently used; however, the current backtag had an improved retention rate when carefully applied by regulatory personnel.

The Agency conducted stockyard and market reviews in Tennessee, Texas, and Illinois. Also, APHIS inspected 390 stockyards or livestock markets for approval, removal or reapproval in FY 1992. A new tracking system was developed to improve the turnaround time on approvals. Through March 1992, the Agency inspected a total of 10,707 stockyards or livestock markets for compliance. To increase compliance of the interstate and stockyard regulations, the Agency held regional training sessions on animal identification.

Electronic identification of dairy and sheep is an industry priority. In June 1992, representatives from APHIS and FSIS met with Colorado State University and Dextron ID in Fort Collins, Colorado, to discuss electronic identification implant placement on animals. The participants decided that the implant should be inserted under the skin on the top of the surface of the ear to assure 100-percent removal of the implant when slaughtered.

b.) Miscellaneous Animal Diseases

Bluetongue: In FY 1992, APHIS conducted its annual bluetongue survey of cattle in 21 States. The results indicated that 20 of the States are bluetongue-free or have a low-incidence of the disease with no major increase or decrease in infection. Virginia is the only State surveyed with incidence of bluetongue above the 2 percent allowed for less restrictive exportation of animals to Canada. The Canadian Department of Agriculture continues to utilize the survey results to justify changes in its laws which govern the importation of livestock from the United States. Other countries also use the survey information to determine if livestock can be imported from the United States.

Equine Diseases: Equine infectious anemia (EIA), also known as swamp fever, is a viral disease of equine that causes fever, anemia, swelling of the limbs, progressive weakness, and loss of weight. To prevent the spread of EIA, APHIS has established requirements for the interstate movement of animals that test positive for the disease. As of September 30, 1992, there were only two diagnostic tests approved for use in identifying infected animals. In September 1992, APHIS published a proposed rule that would allow the use of additional tests for the laboratory diagnosis of EIA. All comments on the proposed rule have been received and reviewed. The rule relieves unnecessary restrictions, and encourages the development of other tests for the diagnosis of EIA. Ultimately, costs for testing could be lowered for equine owners.

The State-Federal cooperative monitoring system for EIA revealed that in FY 1992, 1,883 positive samples, or 0.22 percent, were identified out of 857,593 samples. During FY 1991, over 2,500 positive samples were identified out of approximately 875,000 samples tested, which represents 0.29 percent of those tested.

APHIS monitors the status of EIA and eastern and western encephalitis in the United States, and conducts surveillance for Venezuelan equine encephalitis. APHIS also monitors the status of equine diseases internationally, with particular attention given to African horse sickness in Spain. In FY 1992, APHIS supported cooperative research with Texas A&M University to develop more accurate and reliable diagnostic tests for equine piroplasmosis.

c.) National Poultry Improvement Plan (NPPIP)

The "U.S. Sanitation Monitored" program for egg-type breeding chickens, which was amended in FY 1990 to provide for monthly environmental screening for SE, has been very effective in detecting infected breeding flocks. In FY 1992, SE was found in 12 flocks and, therefore, these flocks lost their classification and were marketed. One flock where SE was detected in internal organs resulted in several investigations of progeny flocks.

In FY 1992, the following proposed changes were among those approved at the NPPIP biennial conference in June 1992. One proposed change would no longer allow certain grandparent chicken breeding flocks to remain untested for pullorum-typhoid. This further protects against a recurrence of a multi-State pullorum outbreak such as occurred in 1990 and 1991 in an

integrated broiler-roaster producer. Also, the delegation approved a proposal to change the name of the "U.S. Sanitation Monitored" program to the "U.S. S. Enteritidis Monitored" program. In addition, the delegates approved the use of a federally licensed SE bacterin as an acceptable practice to help protect egg-type chicken multiplier breeding flocks from becoming infected by extraneous sources of SE. This change is expected to assist the multiplier breeder as part of an integrated SE control program. Finally, Montana became the 40th State to be classified as a "U.S. Pullorum-Typhoid Clean State."

d.) Poultry Diseases

APHIS conducted a significant amount of testing for AI and found no AI viruses in chickens in 1992. The program's emphasis is on live poultry markets (LPM) in the Northeast and Florida. No AI incidence was found in New England, Rhode Island, Massachusetts, Pennsylvania, or Connecticut. In New Jersey, LPM testing was completed in June 1992, where AI subtypes were isolated from poultry in three different markets, but none were found to produce disease in chickens. In November and December of 1991, a marked drop in egg production caused by the AI virus in Minnesota turkey breeder flocks resulted in considerable economic loss. The program continued to place susceptible chickens in Florida markets to detect AI and the 1992 results have been negative. A group of quail shipped to Maryland from Arkansas was found to have the AI virus; the flock was depopulated. Extensive surveillance of the Arkansas premises did not produce any virus isolations.

APHIS worked with the State of North Dakota and the Forest Service to identify a velogenic neurotropic Newcastle disease (VNND) virus in turkeys on a rearing operation in North Dakota. Veterinarians collected blood, tissue, and cloacal swab samples from sick turkeys and sent them to the National Veterinary Services Laboratories at Ames, Iowa, where VNND was isolated and characterized. A total of 25,500 turkeys out of a flock of 28,000 were eventually euthanized and the carcasses disposed of by controlled burning. The premises was released from quarantine by the North Dakota State Veterinarian.

e.) Swine Health Protection (SHP)

During FY 1992, APHIS continued to strengthen compliance and enforcement in keeping with the SHP program goal of continuously monitoring swine garbage feeding operations for presence of foreign animal diseases. State and Federal inspectors conducted 42,084 inspections of approximately 4,406 licensed garbage feeding premises as of October 1992. This compares to 31,108 inspections of approximately 4,802 licensed garbage feeding premises as of October 1991. A total of 77,355 searches for unlicensed garbage feeders were conducted as of October 1992, as opposed to 69,104 for October 1991. These inspections and searches resulted in 638 documented violations as of October 1992, compared to 537 in October 1991. As of April 1992, violators are subject to "stipulation authority" and a fine if the violation occurs in a State where APHIS has primary enforcement responsibility (PER). APHIS participated in a State-Federal work conference in New Jersey where SHP regulations were discussed.

f.) Tuberculosis

The Agency tested 4,162 tuberculosis suspect submissions. Of these, 613, or 14.7 percent tested positive for TB upon examination. Only 14 of the positive cases were adult cattle with the remaining 599 being immature feedlot animals.

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Federal meat inspection personnel provided valuable support by submitting a total of 87 official Mexican eartags from tuberculous cattle found at regular slaughter. Animal health officials in Mexico report that procedures have been implemented that will permit official eartags to identify the specific farm of origin. This will substantially increase the likelihood of successful tracebacks and provides new incentives for promoting official identification collection from all slaughter lots containing "M" branded cattle.

2. Animal and Plant Health Regulatory Enforcement

APHIS continues to improve speed and accuracy in handling the increasing volume of violations by implementing the headquarters-based computer system for tracking cases.

When APHIS officials find violations of animal and plant regulations during inspections, an investigation is undertaken. If the investigation determines that the necessary corrective measures have not been taken, the case is forwarded to program officials for action. The program officials determine how the alleged violation should be addressed for enforcement action. This could include a warning, an Agency level stipulation, or submission of the case to the Office of the General Counsel (OGC) for formal administrative or criminal action.

During FY 1992, APHIS placed an enforcement specialist in each of its five Sectors (Northeast, Southeast, North Central, South Central, and West). Specialists work with the investigators in conducting more complex investigations. APHIS regulatory enforcement investigators are better trained to handle investigations involving a wide range of program areas. This includes undercover type operations to catch violators in the act of breaking government regulations.

Results of investigations performed during FY 1992 for Agency programs are as follows:

a.) <u>Animal Care</u>	<u>Formal Investigations</u>	<u>Cases Developed</u>
Animal Welfare	980	980
Horse Protection	<u>29</u>	<u>29</u>
Total	1,009	1,009

APHIS forwarded 107 animal welfare cases to OGC for formal administrative proceedings in FY 1992 compared to 92 the year before. The Agency entered into 120 stipulations and issued 616 official warning notices involving animal welfare violations.

A total of 142 horse owners and/or trainers were disqualified from exhibiting horses for varying amounts of time because of violations of the Horse Protection Act. APHIS forwarded 71 cases to OGC.

b.) <u>Pest and Disease Exclusion</u>	<u>Formal Investigations</u>	<u>Cases Developed</u>
Agricultural Quarantine Inspection	763	763

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APHIS forwarded 211 cases to OGC for final resolution of violations of the agricultural quarantine inspection program regulations. In addition, 204 cases were settled with stipulation agreements, and APHIS issued 61 warning notices.

c.) <u>Pest and Disease Management Programs</u>	<u>Formal Investigations</u>	<u>Cases Developed</u>
<u>Salmonella enteritidis</u> (SE)	7	4
Animal Disease Detection	810	810
Total	817	814

APHIS issued 21 warning notices and forwarded 4 cases to OGC for final resolution of SE violations. The latter 4 cases were resolved with a fine of \$2,000.

d.) <u>Scientific and Technical Services Programs</u>	<u>Formal Investigations</u>	<u>Cases Developed</u>
Veterinary Biologics	26	13

APHIS issued 11 warning notices, entered into one consent decision, imposed one suspension, and forwarded two cases to OGC for final resolution of veterinary biologics program violations.

3. Fruit Fly Detection

In FY 1992, APHIS continued to support and conduct cooperative fruit fly detection surveys in Alabama, Arizona, California, Florida, Georgia, Louisiana, Mississippi, New Mexico, South Carolina, and Texas, as well as Puerto Rico and the U.S. Virgin Islands. The purpose of these surveys is to detect new infestations of Medfly and other exotic fruit fly species.

In the fall of 1991, outbreaks of Mediterranean, Mexican, and Oriental fruit flies were detected in California in the Los Angeles basin. In addition, Medfly was also detected in San Jose, California in July 1992.

APHIS continues to work with the CDFA to cooperatively eradicate infestations of Medfly from Los Angeles and Santa Clara Counties. The cooperative eradication of Oriental fruit flies from Los Angeles County, California, was completed in July 1992. Trapping and regulatory activities for MFF's continued in Los Angeles County through November 1992, in order to declare the area eradicated.

APHIS completed and printed the National Fruit Fly Trapping Protocol in FY 1992. The protocol has been distributed to APHIS personnel and State and Federal cooperators.

4. Pest Detection

In FY 1992, APHIS and the Cooperative Agricultural Pest Survey (CAPS) staff conducted pest surveys and managed the data collected by those surveys. Data were managed in the National Agricultural Pest Information System and in databases operated by CAPS cooperators. Data from these systems were used to provide information on issues related to exotic pest detection, agricultural exports, and management of pest control programs. APHIS provided approximately \$25,000 per State to the CAPS cooperators. Cooperators included State Land Grant Universities or State Departments of Agriculture in all 50 States.

Pests for which surveys were conducted during FY 1992 included chrysanthemum white rust, lesser appleworm, apple ermine moth, cherry bark tortrix, Africanized honeybee, brown citrus aphid, pine shoot beetle, necrotic strain of potato virus Y, Asiatic rice borer, cabbage moth, Caribbean fruit fly, Egyptian cotton leafworm, European cherry fruit fly, European grape berry moth, false codling moth, grape vine moth, large yellow underwing, light brown apple moth, maize borer, melon fly, peach fruit fly, pear leaf blister moth, plum fruit moth, Queensland fruit fly, rice cutworm/cotton leafworm, silver Y moth, Summer fruit tortrix, and other exotic species. Surveys were also conducted for biological control organisms and for their target species.

The NAPIS data base files were streamlined and transferred to a better computer system at the Center for Environmental and Regulatory Information Systems, an associate of Purdue University in Indiana. This led to improved performance and decreased cost of operation. Computerization of field data collection continued, resulting in improved ability to provide timely program information.

APHIS cooperates with Mexico in carrying out surveillance for exotic pests including fruit flies. APHIS maintains a network of 6,570 traps in Mexico for early detection of exotic fruit flies. In addition, 1,400 khapra beetle traps are maintained in warehouses and granaries.

APHIS conducted surveys in Mexico for sweet potato whitefly and in several of the Caribbean Islands and Puerto Rico for brown citrus aphid and citrus tristeza virus.

Technical exchange of plant information strengthened liaison with international plant health organizations such as the United Nations Food and Agriculture Organization, Inter-American Institute for Cooperation in Agriculture, and the International Regional Agricultural Health Organization.

PEST AND DISEASE MANAGEMENT PROGRAMS

Current Activities: In cooperation with the States, APHIS works to improve the general health of our Nation's agriculture through management techniques designed to eradicate harmful pests and diseases, or, if eradication is not feasible, minimize their economic impact. Endemic diseases and pests are monitored through surveys to detect their location, and through inspections aimed at preventing their spread into noninfested parts of the country. Specific program efforts include:

Plant Pests and Diseases: APHIS Plant Protection and Quarantine Unit coordinates a number of programs which actively control or eradicate plant pests. Various tools are used, including pesticides, traps, and natural predators in order to control boll weevil, grasshoppers, gypsy moths, noxious weeds, and witchweed.

In order to prevent the spread of plant pests into noninfested areas, APHIS develops and enforces regulations concerning the movement and quarantine of plant materials. Extensive research and methods development are conducted to determine the most feasible and environmentally sound methods of dealing with golden nematode, imported fire ant, pink bollworm, and other pests for which there is no viable control method.

Animal Pests and Diseases: The Veterinary Services Unit of APHIS implements disease control and eradication programs involving testing, quarantine, treatment, and depopulation of infected animals. Brucellosis, cattle ticks,

poultry diseases, pseudorabies, and tuberculosis are program examples. The Animal Damage Control program protects American agriculture from detrimental predators through identification, demonstration, and application of the most appropriate methods of control.

Regulatory enforcement activities prevent the spread of communicable animal pests and diseases in interstate trade. These activities include inspection, surveillance, animal identification, and prosecution. National poultry improvement plan and swine health protection are programs of this nature.

Selected Examples of Recent Progress:

1. Animal Damage Control (ADC) Operations

Protecting American Agricultural Resources

The blackbird hazing program in North and South Dakota continued to experience success. During FY 1992, APHIS received 648 requests for assistance in North and South Dakota, an increase of 15 percent from FY 1991. In addition to the hazing program, ADC expanded its cattail management program in the major sunflower producing areas of the Dakotas. The goal of this program is to control cattails, which blackbirds utilize for nesting and roosting habitat. Approximately 3,372 acres of cattail were chemically treated by the program during FY 1992.

In April 1992, the National Agricultural Statistics Service released the results of a survey funded by APHIS on cattle losses to predators. The surveys indicated that predators caused \$41.5 million in losses to the cattle industry during 1991, compared to \$27 million the year before.

In response to a State request, an ADC professional position was established for the first time in Iowa. The new wildlife biologist, stationed at Iowa State University, will work closely with the Iowa Department of Natural Resources and Wildlife Division and the Iowa Extension Service.

APHIS continues to collaborate with the College of Natural Resources, Department of Fisheries and Wildlife, Utah State University at Logan, Utah, in developing a model academic program that incorporates wildlife damage management concepts into wildlife management curricula. During the past year, major project accomplishments included: (1) incorporation by departmental faculty of wildlife damage management models into endangered species management curricula; (2) establishment of revised degree requirements for students majoring in Fisheries and Wildlife including principles and techniques of wildlife damage management, field studies, and range wildlife relations courses; (3) university faculty serving as guest lecturers on wildlife damage management topics; (4) dissemination of curricula design information for wildlife damage management majors to universities in California, District of Columbia, Indiana, Maryland, Pennsylvania, and Washington; (5) offering of graduate courses in wildlife damage management; and (6) counseling of APHIS animal damage control personnel and others engaged in the mainstream wildlife profession in the development of personalized study plans.

Protecting Human Health and Safety

During FY 1992, ADC conducted the laughing gull control program at John F. Kennedy International Airport (JFK) to minimize the threat of collisions between gulls in the area and aircraft departing or landing at JFK. The May 15 - August 5, 1992, program resulted in an 89-percent reduction in gull collisions with aircraft compared to the prior year. Most members of a

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Federal-State-University Laughing Gull Task Force assigned to the problem, including APHIS, agree that the shooting program should be an interim program only and that the desirable long-term solution is to move the nesting colony from National Park Service (NPS) land adjacent to JFK to a new location where the gulls will not fly through areas with heavy air traffic. NPS now agrees that the colony should be moved to a location that will not interfere with airport operations. Rather than physically moving the gulls, "relocation" would involve harassing and discouraging nesting so the birds will seek an alternate site for their colony.

Currently, the program maintains cooperative agreements to conduct control activities aimed at minimizing or alleviating wildlife/aircraft collisions in the following States: California (8 airports), Georgia (4), Hawaii (7), Idaho (1), Kentucky (1), Massachusetts (1), Michigan (1), Minnesota (2), Missouri (2), New Jersey (4), New York (11), Oregon (2), Tennessee (3), Virginia (1), Washington (4), and Wisconsin (1).

Protecting Natural Resources

The National Environmental Policy Act (NEPA) requires that environmental assessments be conducted to determine whether a program would have a significant effect on the environment and thus, necessitate the preparation of an EIS. During FY 1992, ADC employees participated with the U.S. Forest Service, Bureau of Land Management, Soil Conservation Service, and many local Soil and Water Conservation District offices in preparing numerous environmental assessments required under NEPA.

Emphasis continued to be placed on the protection of threatened and endangered species. New initiatives include a beaver control project in Louisiana to protect the Louisiana Pearshell mussel, and polynesian rat control in American Samoa to protect two species of endangered turtles. ADC currently protects over 20 threatened or endangered species from wildlife depredation.

APHIS has been working with the Government of Guam and the U.S. Department of the Interior (Interior) to develop a cooperative program to control the brown tree snake on Guam. The pest is widely established on Guam at the present time and has caused the virtual elimination of many avian species, including endangered species. Because there are no predators of this snake on Guam, it has continued to multiply rapidly. There is growing concern that the snake may disperse to Hawaii, and consequently to the continental United States, unless immediate control measures are taken.

The 1992 Interior Appropriations Act included \$500,000 for implementation of a brown tree snake control program. From this amount, \$100,000 was provided to Hawaii and will probably be used for training beagles for snake detection work at ports of entry. APHIS has finalized a Memorandum of Understanding with Fish and Wildlife Service (FWS), the Interior's Office of Territorial and International Affairs, and the Department of Defense regarding use of the remaining \$400,000. The funds have been distributed to the Agency, FWS, and Guam. APHIS is currently negotiating with the Government of Guam to develop a cooperative agreement for a brown tree snake control program.

2. Biological Control

Colorado Potato Beetle (CPB)

Mass production of biological control agents of CPB enabled release of approximately 200,000 agents for demonstration of the effectiveness of a biological control-based potato crop management system. Approximately 141,000 Coleomegilla maculata, a coccinellid predator, were released by cooperators during the second year of studies in Massachusetts. In addition, approximately 55,000 Perillus bioculatus, a pentatomid predator, were mass-produced by APHIS for first-time releases by cooperators in Delaware and Maine. Due to increased pesticide resistance and environmental contamination considerations, an evaluation of the economic and environmental benefits of this crop management system has been initiated.

Diffuse and Spotted Knapweed

In FY 1992, through cooperative efforts with scientists in Europe and Canada, APHIS successfully collected and cleared, through quarantine in Mission, Texas, five species of biological control agents for knapweeds. These insects were shipped to and released in several field locations in various States. Additionally, collections of five insect species from APHIS insectaries, now established in the U.S., provided insects for redistribution to knapweed infested areas. A total of 64,200 insects were collected domestically, redistributed, and released in 63 locations in 11 States. The promising complex of approved biological control agents for knapweeds include insects that feed on the foliage, eliminate seed production, and destroy roots.

Leafy Spurge

Several species of Aphthona beetles are now available from established populations in the United States and Canada for the control of leafy spurge. In FY 1992, APHIS collected 150,000 beetles for redistribution to new locations. One hundred thousand of these insects were collected from Montana field insectary sites. Insects were released in 160 locations in 15 States. Previous release sites of Aphthona now show significant reduction of leafy spurge at these locations. APHIS designed studies to provide information regarding technology transfer and how to manage leafy spurge using alternatives to chemical control.

European Corn Borer

Mass-rearing and release of Trichogramma ostrinae, an egg parasitoid from China, continued for the second year. One million T. ostrinae were released by cooperators into study plots to determine the potential impact of this beneficial organism in crop management systems. One-half million wasps were shipped to 20 additional sites for establishment releases. Shipments of T. ostrinae were also supplied as requested by Agriculture Canada for establishment releases in Ontario, Canada, and identification of parasitoids recovered following releases is pending. Samples from a survey for Lydella thompsoni, a larval parasitoid released by APHIS last year in 66 sites in six States, began arriving in September and are currently being monitored in the laboratory.

Russia: Wheat Aphid (RWA)

In FY 1992, APHIS reared and cooperatively released approximately 1.3 million exotic predators to promote biological control against the RWA, a serious pest that damages wheat and barley. The Agency reared and released

31 geographic strains of eight beneficial species that were collected from various foreign countries. Releases were made in at least one site in each of the 13 Western States infested by the aphid. Extensive surveys were conducted in fields that received material during 1989 to 1992 (19 States) to determine the impact of any exotic or native natural enemy species. These survey efforts have recovered two parasite species in three Western States (Montana, New Mexico, and California) and provided new county and State records in Connecticut, New Jersey, Massachusetts, and Rhode Island for two lady beetle species.

Fuonymsus Scale Project

Baseline data surveys were conducted in 26 States in PPQ's northeastern and southeastern regions. These surveys provided information on infestation levels of scale and determined what natural enemies are present. APHIS acquired and is rearing one parasite and one predator species from China through cooperative efforts with the University of Massachusetts and Texas A&M. Recovery surveys were conducted at locations where predators were released prior to 1991. *Chilocorus kuwanae*, the main species of predator surveyed, was found to be established along the eastern seaboard of the United States to the Appalachian Mountains. Limited amounts of the Chinese strain of this species were released at field insectaries in Indiana and Michigan.

3. Boll Weevil

High Plains Boll Weevil Control Program

The program treated about 306,180 acres in 1992, more than doubling the total acres treated in 1991. The increase in treated acres was due to higher than expected weevil counts, caused by higher than anticipated overwintering populations.

Southeast Boll Weevil Eradication Program

The southeast eradication program continues to be successful. Georgia, southern Alabama, and Florida were involved in containment activities. Northeast Alabama was included in the eradication program.

The cooperative eradication program involved approximately 658,750 acres. The cumulative number of acres treated in 1992 was 390,945, which is higher than 1991. The increase was due to the warm winter causing greater overwintering populations and a greater than anticipated migration of weevils into the area.

	<u>1990</u>	<u>1991</u>	<u>1992</u>
Total acres treated	1,038,000	224,442	390,945
	<u>1990</u>	<u>1991</u>	<u>1992</u>
Total weevils trapped	449,075	67,921	153,347

APHIS maintained surveillance activities in Mexico to confirm that the boll weevil did not re-infest eradicated zones. Preliminary trapping and population suppression activities began around Caborca, Mexico.

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Southwest Boll Weevil Eradication Program

Post-eradication activities began during FY 1992 in Arizona. About 472,000 acres of cotton were planted in Arizona during 1992. The acres treated went up, from 798 in 1991 to 4,506 in 1992.

	<u>1990</u>	<u>1991</u>	<u>1992</u>
Total acres planted	432,861	420,171	472,000

	<u>1990</u>	<u>1991</u>	<u>1992</u>
Total weevils trapped	7,755	1,065	1,346

4. BrucellosisBovine

As of September 30, 1992, 34 States including the District of Columbia, Puerto Rico and United States Virgin Islands, are Class Free. Eighteen States are in Class A status, and one State is Class B. During FY 1992, Indiana and Illinois advanced to Class Free status. Also, Mississippi, Florida, and Louisiana progressed from Class B to Class A (see map below).

The following table shows comparisons between FY 1991 and FY 1992 and increases/decreases in various brucellosis categories. Of the 15.1 million cattle tested for brucellosis as shown in the table, 3.2 million animals were sampled through herd tests on farms or ranches and 11.9 million were tested under the Market Cattle Identification program. Of the total number of reactor herds in FY 1992, 390 were located in States that held Class A status at the end of the year and the remaining 324 were in the one Class B State, Texas. As the number of infected animals and herds decreases, it is vital that the number of cattle tested increases, so that a strong monitoring and surveillance program is maintained.

	<u>FY 1991</u>	<u>FY 1992</u>	<u>Increase/ Decrease</u>	<u>Percentage Change</u>
Herds under quarantine for brucellosis	630	436	194	-31
Number of cattle tested for brucellosis	14,900,000	15,100,000	200,000	+1.4
Number of reactors	20,000	13,000	7,000	-35
Number of reactor herds	1,256	714	542	-43

At the end of August 1992, only 12 dairy herds were under quarantine for brucellosis in the U.S., with 5 of these in Texas. A task force composed of VS personnel, State employed veterinarians and livestock inspectors in California's Chino Valley continued to make outstanding progress in eliminating infection of the area's large dairies. As a result, only one dairy herd remained under quarantine at the end of the fiscal year.

A committee with representatives from the Department of Interior, the Forest Service, and the State of Montana is working on an Environmental Impact Statement on the brucellosis problem in the greater Yellowstone National Park area. APHIS continued to provide technical advice and options for eliminating brucellosis from the park.

Two-hundred thirty-six bison leaving Yellowstone National Park were intercepted by the Montana Game and Fish Department last year to prevent possible exposure of domestic livestock and other susceptible animals to brucellosis. Serological testing performed by Montana's diagnostic laboratory on the bison found 56.7 percent were negative, 33 percent were positive, and 10.3 percent were suspect. Of those that were positive or suspect, the National Veterinary Services Laboratory found that 26 cultured positive for *brucella abortus*, the organism that causes brucellosis.

The Agency continued to fund the vaccination of elk calves on six Wyoming feed grounds. Funding was also provided for research at Texas A&M University on the efficacy of vaccinating bison for brucellosis.

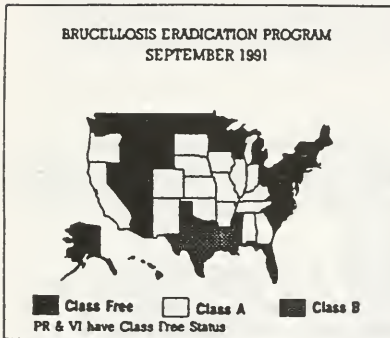


Exhibit 1 BRUCELLOSIS STATE CLASS STATUS PRIOR TO IMPLEMENTATION OF RAPID COMPLETION PLAN.

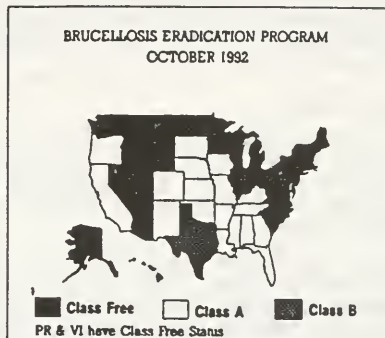


Exhibit 2 BRUCELLOSIS STATE CLASS STATUS AS OF OCTOBER 1992.

Swine Brucellosis (SB)

The State-Federal-industry cooperative SB eradication program continues progressing toward a goal of eradication by December 1996. In FY 1992, Mississippi became the 39th State to achieve validated SB-free status. Eleven States (Alabama, Arkansas, Georgia, Florida, Kansas, Louisiana, Missouri, New Jersey, Oklahoma, South Carolina, and Texas) remain non-validated, with five States in Stage I and six States in Stage II. APHIS is encouraging these non-validated States to survey at least 10 percent of their breeding swine annually to detect SB.

Currently, prevalence of swine brucellosis is low and the disease is primarily located in the Southeastern United States and Texas. Texas, with 45 infected herds as of June 1992, has more infected herds than the total number found in all other States combined. As of June 1992, 79 newly infected herds had been disclosed among all States, compared with 68 in June 1991. This is partially due to the increased surveillance and subsequent increase in findings of infected herds in Texas. Also contributing to the

disease's prevalence is the reluctance of owners to depopulate infected herds and continual reinfection from feral swine in the areas where swine brucellosis exists.

In FY 1992, 27 percent of the total of 3,755 validated herds in the U.S. were located in non-validated States. The number of validated herds were up by 5 percent from FY 1991. A total of 1,392,969 breeding swine were tested in FY 1992 with 3.1 percent tested at markets, 30.5 percent tested at slaughter, and 66.4 percent of animals tested on farm. The total number of FY 1992 swine brucellosis infections was 79, with 4 feral swine associated infections. This compares with 93 newly infected herds with 3 associated with feral swine in FY 1991. The total number of herds under quarantine for SB was 66, compared to 67 during the same period in FY 1991.

Also, the Agency coordinated teleconferences with State, Federal, and industry officials to discuss acceleration of the SB programs in States with feral swine. This involved representatives from Arkansas, Missouri, Oklahoma, Texas, Alabama, Florida, Georgia, Louisiana, Mississippi, South Carolina, and Tennessee. Industry participation consisted of swine producers and officials from the National Pork Producers Council, State producer organizations, and the American Farm Bureau Federation. After the teleconference, States submitted plans for accelerated SB eradication programs to APHIS.

5. Cattle Ticks

The cattle tick program is a cooperative Federal-State-industry effort to prevent the re-establishment of the cattle tick, Boophilus annulatus, and the southern cattle tick, B. microplus, in the United States and to eradicate the southern cattle tick and the tropical bont tick, Amblyomma variegatum, from Puerto Rico.

In the continental United States, the program is concentrated along the Texas-Mexico border, where the Rio Grande serves as a natural barrier. Tick control is accomplished through the use of a permanent quarantine zone, with systematic patrols, and inspections carried out by health inspectors on horseback. All livestock crossing the border and entering or leaving the quarantine zone are examined and treated for ticks to eliminate the risk of cattle ticks becoming established in the United States. The quarantine line was maintained at its original position in FY 1992. At the end of FY 1992, no cattle tick infestations were reported outside of the quarantine zone.

Progress continues to be made in the Puerto Rico program, with a 20-percent increase in the number of bovines in tick-free status. Only 6 percent of the total bovines were pending treatment by the end of FY 1992.

The tropical bont tick, which was found in Puerto Rico in 1974, was considered to be eradicated by the end of FY 1991; however, an infestation of the tropical bont tick was discovered on the Island during the second quarter of FY 1992. The affected premises were immediately quarantined and its livestock placed under treatment. Epidemiological investigations determined that no other premises were infested.

6. Golden Nematode

In FY 1992, 3 new infested fields totalling 56 acres were found. All the new finds are within regulated areas in New York. New York has a total of 5,000 regulated acres of which 206 are actively infested. New York continues to have a gradual increase in acres devoted to the production of resistant varieties of certified seed potatoes.

In FY 1991, APHIS developed a 5-year plan to eradicate golden nematode. One of the objectives was to plant resistant potato varieties on all the exposed land still involved in potato production. Currently, it is not a requirement to plant resistant varieties in the exposed fields. During FY 1992, New York State started working with growers to significantly increase the percentage of exposed land planted with resistant varieties. If the program is not successful, the State is already considering regulations to require the use of resistant varieties on exposed land.

7. Grasshopper and Mormon Cricket

Overall grasshopper populations remained relatively low in FY 1992. In FY 1992, APHIS treated approximately 236,000 acres, compared to 206,000 acres in FY 1991, and 255,782 acres in FY 1990.

The following table shows acreage treated during FY 1992:

<u>State</u>	<u>Rangeland</u>	<u>Cropland</u>	<u>Total</u>
Colorado	1,479	0	1,479
Idaho	9,341	1,920	11,261
Montana	5,000	0	5,000
Nevada	15,250	0	15,250
North Dakota	89,639	5,680	95,319
Oregon	25,955	0	25,955
South Dakota	68,299	0	68,299
Utah	10,150	0	10,150
Wyoming	<u>2,550</u>	<u>0</u>	<u>2,550</u>
Total	227,663	7,600	235,263

In FY 1990, Congress provided the Agency with \$6.8 million for treatments on Conservation Reserve Program land in North Dakota, South Dakota, and Minnesota. In FY 1992, Idaho, as well as Minnesota, and North Dakota participated in the program. APHIS spent less than \$200,000 on this program with the low level of participation in the program due to relatively low grasshopper populations.

In 1992, the grasshopper IPM project was extended for 3 years to allow for transfer of the technology. Implementation teams have been established to apply the research that has been developed over the past 5 years to field activities. The technology transfer period will extend through 1994. The Geographic Information Systems and bait pesticides are two especially important technologies handled by the technology transfer teams. The goal of this project is to find long-range, environmentally acceptable solutions to the problem of grasshopper infestations on Federal rangeland. These solutions will also apply to State and private rangeland. During the year, APHIS granted a contractor an experimental use permit to test large acreages with a new biological agent, Beauveria bassiana, an entomopathogenic fungus that occurs naturally in grasshopper habitats. This fungus has been used

successfully to control grasshoppers in the former Soviet Union. APHIS is seeking Environmental Protection Agency approval for wide-scale use of the fungus.

APHIS also continued development of HOPPER, a computer software program to be used by Federal and State land managers and county agents when making decisions on grasshopper control techniques. The software was improved during 1992, and will be made available to land managers.

8. Gypsy Moth

Gypsy moth defoliation increased from 2 million acres in FY 1991 to nearly 2.6 million acres in FY 1992. This change is mostly due to an increase in defoliation along the leading edge states.

Approximately 10 new infestations affecting Midwestern States occurred as a result of the movement of uncertified nursery stock from Pennsylvania. APHIS and the U.S. Forest Service will conduct control programs as necessary.

About 90 percent of new gypsy moth infestations are caused by the movement of outdoor household articles containing gypsy moth egg masses. The gypsy moth program prohibits movement of logs, mobile homes, nursery stock, and outdoor household articles from infested areas without a permit. APHIS, in cooperation with state agricultural inspectors, conducts the inspections and issues the permits.

In 1991, the Asian gypsy moth (AGM), a very serious exotic pest, was detected in survey traps in the Tacoma, Washington, port area and in north Portland, Oregon. Because of these infestations, the Secretary declared an emergency and APHIS, in cooperation with Forest Service and the States of Washington and Oregon, conducted a cooperative survey and eradication program in FY 1992. Surveys were also conducted in high risk ports and waterways throughout the United States to determine if AGM had been introduced in other States.

Eradication activities were conducted in the AGM infested States. Approximately 140,000 acres were treated with aerial applications of Bacillus thuringiensis.

The national survey did not detect any other AGM infestations. APHIS, along with the other cooperating agencies, is developing plans for additional surveys in FY 1993 to confirm the eradication of AGM.

9. Honey Bee Pests

In FY 1992, 970 swarms of Africanized honey bees (AHB) were detected in Texas. Of 254 counties in Texas, 46 were infested by the end of FY 1992. APHIS placed and serviced about 1,500 traps to detect the spread of AHB in Texas, and monitored several swarm trap lines.

APHIS continued serving on the USDA Interagency Technical Working Group for Honey Bee and attended meetings concerning public protection from AHB. The Agency provided technical assistance to the States and industry via a University of Georgia honey bee specialist.

In addition, APHIS established a data base in the National Agricultural Pest Information System to record AHB survey information for availability to a wide range of users. By using information from this data base, APHIS readily provided infestation and expansion maps upon request. The Agency maintained an identification laboratory to support monitoring activities.

APHIS continued to support the National Association of State Departments of Agriculture initiative by making copies available of the Model State Honey Bee Certification Plan which it helped develop. Also, APHIS loaned essential identification lenses to Texas, Arizona, and Mississippi, which were threatened by AHB invasions in FY 1992.

10. Imported Fire Ant (IFA)

In FY 1992, APHIS coordinated the development of a new pesticide, bifenthrin, for certification of nursery stock moving from IFA infested areas. APHIS worked with cooperating States, the chemical manufacturer, and the Environmental Protection Agency to obtain the required Section 3 registration. Also, the program published a revised IFA quarantine to permit the use of bifenthrin. The use of this new material has been integrated into the IFA program under the trade name TALSTAR.

APHIS completed development and distribution of new IFA interception guidelines that resolved IFA interstate regulatory problems. APHIS continues its public relations campaign to inform commercial truck drivers and nursery workers about IFA. When isolated IFA infestations are reported, APHIS provides technical assistance to the States, helps to determine the source of the infestation, and takes appropriate regulatory action. APHIS is currently working with the State of Virginia to eradicate an isolated infestation of IFA.

11. Miscellaneous Plant Pests and Diseases

In the international arena, APHIS facilitated surveys for several agricultural pests by offering technical advice to countries throughout the Caribbean, Central America, and Mexico.

Selected examples of recent domestic program activity include:

Apple Ermine Moth (AEM)

This pest occurs in most malus producing counties in Washington and in nine northern Oregon counties. State certification procedures in Washington and a State quarantine in Oregon are effectively preventing artificial spread of AEM on exported malus nursery stock. APHIS' Otis Methods Development Center is cooperating with Washington State University to develop alternative methods of certifying malus stock as AEM-free. The objective of this work is to replace multiple summer Guthion treatments with a single fall application.

APHIS is working to harmonize the import and certification procedures with Canada. Recently, representatives from APHIS, Washington, and Oregon met with Canadian officials. They reviewed research on methods of treating nursery stock to kill AEM and procedures used by Washington and Oregon to prevent movement of infested malus stock out of their States. Canada emphasized that changes in existing treatment protocols may be acceptable to its eastern nursery growers when these treatments are published in scientific reports or technical journals. The Canadians are reviewing our protocols and will forward their opinion shortly.

Brown Citrus Aphid (BCA)/Citrus Tristeza Virus (CTV)

An APHIS survey confirmed that BCA, the most efficient vector of CTV, occurs in Puerto Rico. In response to the discovery, APHIS in cooperation with other Commonwealth and Federal agencies conducted extensive surveys throughout Puerto Rico and the U.S. Virgin Islands. BCA was found to be well

established in these locations. Current surveys also indicate that BCA is established in the Dominican Republic and Haiti. Surveys were conducted in the Bahamas and Florida and the results were negative.

CTV causes three different disease conditions in citrus. The mild type, known as "Mexican lime vein clearing" type, is found in Puerto Rico. The moderate type, known as the "quick decline" type, is already present in parts of California and Florida. The third disease condition, known as the "severe stem pitting" type, is found in Bermuda.

The New Pest Advisory Committee recommended placing a high priority on development of biological control mechanisms for BCA. A pest alert for increased inspection of host material at ports of entry was issued.

An International Workshop on BCA and CTV in the Americas was held in Venezuela in September 1992, to present research results and management strategies. Subsequently, APHIS will coordinate a workshop to develop a list of actions and responsible parties should BCA be introduced onto the U.S. mainland.

Japanese Beetle

There are two aspects to the Japanese beetle program. One is the regulation of hazardous airports (airports with high-incidences of Japanese Beetle) to prevent the spread of Japanese beetles to noninfested areas. The other aspect is APHIS working with other Federal agencies and foreign countries to implement a regulation harmonization plan.

In FY 1992, the Agency treated airplanes at the Baltimore-Washington International Airport (Baltimore), McGuire Air Force Base (New Jersey), Dover Air Force Base (Delaware), Toledo Airport (Ohio), Philadelphia International Airport (Pennsylvania), Rickenbacker Air Force Base (Ohio), and Port Columbus International Airport (Ohio).

APHIS made significant progress in the harmonization of Japanese beetle regulations between the United States and Canada. The harmonization plan will be presented to Canada for their review and approval in December 1992 and should be implemented by July 1993.

Pine Shoot Beetle

Pine shoot beetle was first detected at a Christmas tree farm on July 1, 1992, in Lorain County, Ohio. Subsequent surveys have detected the insect in five additional States: New York, Pennsylvania, Indiana, Michigan, and Illinois. This beetle is reportedly the second most destructive shoot-feeding species in Europe. It is also the most destructive pest of pine.

Preliminary estimates of potential losses and increased production costs in the U.S. caused by this pest are in excess of \$740 million over the next 30 years.

Surveys with negative results were conducted in seven additional States. APHIS is planning for a nationwide survey. Regulatory actions were imposed by several States during FY 1992 and Federal regulations are currently being developed.

12. Noxious Weeds

In FY 1992, APHIS made 2,739 noxious weeds interceptions at ports-of-entry involving approximately 30 different noxious weeds. This is an increase of 1,523 interceptions from FY 1991. APHIS continued projects on specific noxious weeds that still pose a serious threat to waterways, rangelands, and crops. The specific programs include common crupina, goatsrue, Orobancha ramosa, Orobancha minor, Cuscuta japonica (dodder), Oryza rufipogon, and the hydrilla eradication projects.

APHIS supports cooperative hydrilla programs in Imperial County, California, and in the Mexicali Valley of Mexico. The Imperial Valley Irrigation District through an IPM approach using sterilized grass carp, chemicals, and mechanical dredging have reduced the hydrilla infestation to 0.64 miles of top growth in the canal system and plans to eradicate it by the end of December 1992. There are 28 acres remaining in two infested ponds. Treatment for these ponds in FY 1992 involved draining the water, treating, and dredging. The ponds were then reintroduced with grass carp.

Oryza rufipogon is a wild rice that has infested south Florida. APHIS has eradicated this weed, except to continue doing visual surveys and spot treatments as necessary until 1995.

In FY 1992, APHIS conducted treatments and surveys on 39,000 acres in Cache County, Utah, for goatsrue with a herbicide treatment. Although the number of acres infested with goatsrue remained constant, the program is continually reducing seed reservoir in the soil.

APHIS cooperated with Oregon and Washington in preparing common crupina control programs. In the Oregon program, the Agency applied treatments to 300 infested acres. In Washington State, where 480 acres were infested, APHIS treated a large proportion of these acres with herbicides, and also removed and burned plants to destroy seeds. In Idaho, 55,000 acres are now infested. An Environmental Assessment was completed for this project, but met public opposition because APHIS proposed herbicide use as a treatment for common crupina. Therefore, APHIS has been unable to apply treatments in Idaho for common crupina control.

APHIS began eradicating 1.6 infested acres of Cuscuta japonica (dodder), found in Clemson, South Carolina in FY 1992. This parasitic weed preys on many different plant species. The Agency has initiated a two-phase program that includes the use of herbicides, and a controlled burn of the infested area. In FY 1992, APHIS manually treated .3 acres of dodder by first pulling the weed and then using a soil fumigant to kill the remaining seeds in the ground.

The orobanche ramosa program covers 74 linear miles of highway right-of-way, representing 400 acres of infestation in Goliad and Karnes counties in Texas. In FY 1992, APHIS planted 500 bushels of flax, which are false host plants of orobanche. Flax is a plant that triggers the emergence of orobanche, but does not allow the weed to survive on it. All of the areas where seed formation may have occurred were treated or will be treated in early spring.

13. Pink Bollworm

The pink bollworm cooperative program trapped 105 non-sterile moths in the San Joaquin Valley during the 1992 season. This compares with 16 moths trapped in 1991 and 2,145 in 1990. The program released 702.5 million sterile moths in 1992, an average of 4.46 million sterile moths per day (159 shipping days).

APHIS produced 704 million sterile moths at the moth rearing facility in Phoenix, Arizona. APHIS continued to purchase equipment for a new replacement rearing facility. The Agency spent \$1.5 million in FY 1992, essentially completing acquisition of equipment for current level activities. Construction on the facility began on October 5, 1992, and production is expected to begin in January 1994.

Under the survey and quarantine enforcement part of the program, Mississippi and Arkansas were added to the list of quarantined states. One parish in Louisiana was added to the list of suppressive areas during 1992 while another parish was removed. The State of Nevada was removed from the list of quarantined areas after two of its counties were removed from the list of generally infested areas in 1992.

14. Pseudorabies

Tremendous eradication progress has been made in many States, especially Illinois and Ohio. During FY 1992, Arkansas and South Carolina completely eradicated pseudorabies from their swine herds and Colorado, Hawaii, and Rhode Island were re-infected. As of September 30, 1992, Puerto Rico and 22 States report no pseudorabies in their herds and 28 States have pseudorabies infected herds. Fourteen of these States have less than 15 infected herds. States with less than 15 infected herds are expected to move rapidly toward eliminating virus from these herds and be eligible for advanced status shortly.

Biotechnology advancements continued in FY 1992, with the approval of differential tests for Syntrovect's Pseudorabies Marker Gold Vaccine, Solvay's Killed Vaccine, and Oxford Laboratory's Vaccine. These tests make it possible to detect pseudorabies infection in vaccinated swine. To support this effort, APHIS worked with the swine, biologics, and diagnostics industries and was involved in licensure and approval of the tests for official program purposes.

APHIS is continuing to provide funding and technical support to contribute innovative solutions to problem areas such as large herd cleanup, feral swine, and area based control strategies. The large herd cleanup study was concluded in all but one (North Carolina) of the original seven States (Illinois, Indiana, Iowa, Minnesota, Nebraska, North Carolina, and Ohio). Preliminary results indicate that pseudorabies elimination from herds of greater than 400 sows is economically feasible and achievable. The study will conclude in the remaining States (Georgia, Kentucky, Michigan, and Tennessee) by the end of FY 1993.

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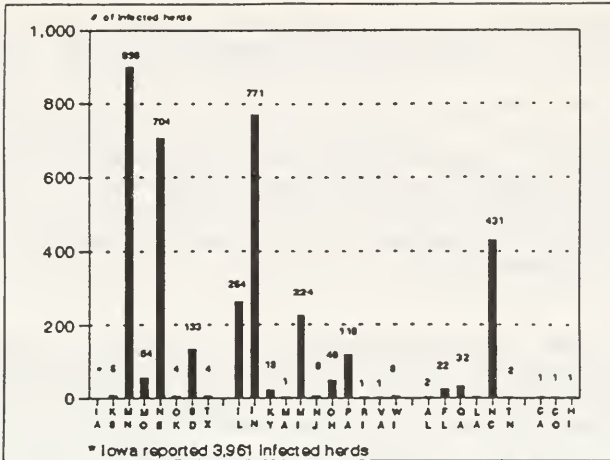


Exhibit 3 States reporting infected herds as of June 30, 1992.

APHIS developed a computer program to provide geographical information on the origin and destination of slaughter sows and boars and awarded a contract to Ohio State University to conduct a cost-benefit study of the pseudorabies program. In addition, APHIS collaborated with the Canadian Meat Council to enhance exports of U.S. slaughter swine to Canada. Canada has agreed to accept swine from stage IV and V States without restrictions and to conduct a risk analysis of stage III States. Also, the Agency organized and directed the National training course on pseudorabies in Ames, Iowa, that was attended by 36 State and Federal Veterinarians.

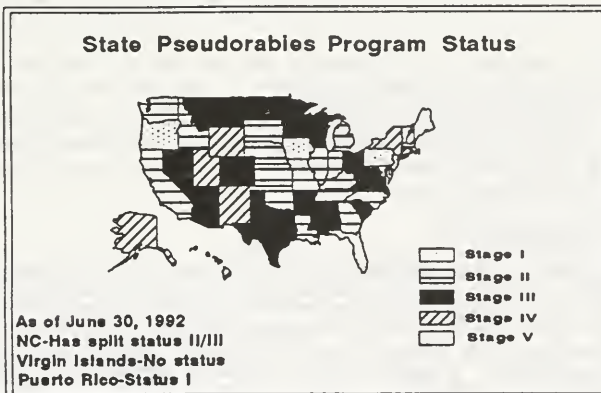


EXHIBIT 4

APHIS provided training to approximately 350 veterinarians in FY 1992. Public practice veterinarians are continuing to play a vital role in the administration of the Iowa Pseudorabies program. In addition, APHIS

collaborated with the Iowa Beef Processors to obtain permission to initiate blood sample collection from identified sows at the Perry, Iowa, slaughter plant, which is one of the largest sow kill plants in the U.S.

Also, the Agency coordinated teleconferences with State, Federal, and industry officials to discuss acceleration of the pseudorabies programs in States with feral swine. This involved representatives from Arkansas, Missouri, Oklahoma, Texas, Alabama, Florida, Georgia, Louisiana, Mississippi, South Carolina, and Tennessee. Industry participation consisted of swine producers and officials from the National Pork Producers Council and State producer organizations and the American Farm Bureau Federation. After the teleconference, States submitted plans for accelerated pseudorabies eradication programs to APHIS.

15. Scrapie

Scrapie continues to cause significant financial losses to sheep producers across the country. In FY 1992, 67 flocks were diagnosed positive with one or more cases per flock. This is an increase of 15 from FY 1991. Of these 67 flocks, 11 had cases in previous years, as opposed to 9 in FY 1991, and 56 were new flocks with positive cases, compared to 43 in FY 1991.

APHIS continued to support cooperative research between the Scrapie Investigation Center at Mission, Texas, and Utah State University to determine if embryo transfer provides a means of preventing scrapie transmission in sheep and goats. In addition, support was provided for cooperative research with the University of Wisconsin and the New York Institute for Basic Research, where scientists are working to develop a preclinical diagnostic test. Currently, no procedure is available to identify scrapie-infected animals before clinical signs appear.

In July 1992, APHIS published the final rule in the Federal Register for a voluntary scrapie flock certification program, which the voluntary scrapie flock certification program became effective on October 1, 1992. The intent of this program is to monitor participating flocks for 5 years or more and to identify flocks free of scrapie. The program also contains provisions to prevent the disease's introduction into scrapie-free flocks.

This is the first scrapie control program that has had the input and support of such a broad cross section of industries. It was developed through the negotiated rulemaking process involving the sheep industry, allied industries, State animal health officials, APHIS, and other interested parties. The program calls for the gradual development of flocks that are certified to be scrapie free and represents a first step toward eradicating scrapie from the United States.

16. Sweet Potato Whitefly (SPW)

A year-long survey for the SPW and its natural enemies was conducted in the Southern United States. Of the seven species of native parasites (five Encarsia and two Eretmocerus) discovered, all but one appeared to be widespread. Parasitization rates were higher in winter (33 percent) than in summer (15 percent); SPW generally were less abundant where they occurred with native parasites. A moderate level of density-dependence was noted in nursery/greenhouse environments. Species of exotic natural enemies, now in production at the Mission Biological Control Laboratory in Texas, include one coccinellid and seven aphelinids. DNA fingerprints have been obtained by

rapid Polymerase Chain Reaction techniques. For example, 168,000 Encarsia formosa and 105,000 Fretmocerus mundus were produced for release in California and Texas. An additional 40,000 parasites were shipped to researchers in the U.S. and Mexico.

17. Tuberculosis (TB)

The Agency continued to monitor TB incidence throughout the United States in FY 1992. As of September 30, 1992, 40 States and the U.S. Virgin Islands achieved accredited-free status. During FY 1992, Tennessee and Nebraska gained accredited-free status, but New York and Pennsylvania reverted to modified accredited-free status. Nebraska had been suspended from accredited-free status during FY 1991. As a result, APHIS conducted a complete epidemiological investigation which revealed no infection. Ten States and Puerto Rico are currently in the modified-accredited free status.

There were 16 infected herds (over 15,000 exposed cattle) quarantined as of September 30, 1992, which included 15 confirmed infected herds and one exposed herd. Nine of these were carried over from previous fiscal years (eight infected and one exposed), and seven newly detected herds were confirmed during FY 1992. The newly detected herds include two dairy herds in the El Paso milkshed area, which, as of September 30, 1992, has nine infected herds. Two dairy herds were newly detected in New York. One of those dairies was apparently infected by association with tuberculous cervids located on the same premises. The second infected dairy herd in New York was found as a result of tracing TB-exposed cows. The remaining three newly detected herds included beef herd in Pennsylvania, and a beef and bison herds in California.

Since January 1, 1991, TB has been confirmed in 13 captive cervids located in 8 States: Colorado, Montana, Idaho, Nebraska, New York Oklahoma, Texas, and Wisconsin. The Agency has drafted a cervid TB addendum to the Bovine Tuberculosis Eradication Uniform Methods and Rules for consideration by the Tuberculosis Committee of the United States Animal Health Association. It provides for accredited cervid herds, official testing and follow-up procedures, and testing requirements for interstate movement.

As of September 30, 1992, the Agency completed tracebacks on 12 of the 14 adult cattle that tested positive with only one case traced to an infected herd not previously known. Traceback was completed on 523 of the 599 immature feedlot animals. A total of 436 of the 523, or 83 percent of the feedlot cases were traced to Mexico, and 62 cases were traced to their lot of origin at the feedlot. Twenty-five cases were closed before finding their lot of origin, primarily because there was insufficient identification on the animal. The 613 positive cases represent the highest number of tuberculosis positive cases ever detected on slaughter surveillance.

The project for supplying equipment to laboratories in Mexico for the diagnosis of tuberculosis continued with shipments made to the University of Mexico, Baja California, and to a laboratory in Mexico City. The equipment is acquired through the General Services Administration surplus property system at no cost to the Agency.

18. Witchweed

APHIS has eradicated witchweed from approximately 87 percent of the infested acres since the program began. In FY 1992, the Agency eradicated about 11,000 acres of witchweed from North Carolina and South Carolina. Through quarantine and regulatory activities, this weed is still confined to the Carolinas.

ANIMAL CARE

Current Activities: Under legislation first enacted in 1966 and amended several times thereafter, APHIS carries out activities designed to ensure the humane care and handling of animals used in research, exhibition, or the wholesale pet trade. Primary program emphasis is placed on inspection of facilities, investigation of complaints, reinspection of problem facilities, and training of inspectors.

In the 1990 amendment to the Animal Welfare Act (AWA), Congress addressed the issue of stolen dogs and cats that were ultimately used in research. In order to help prevent such illegal activities, we have proposed new provisions to Title 9, CFR, Part 2, Subpart I, regarding the length of time certain pounds, shelters, and research facilities must hold dogs and cats. We also have proposed to add provisions requiring certification to accompany random source dogs and cats sold, provided, or made available to dealers. The intent of these new regulations is to prevent stolen animals from being entered in sale channels. The changes are undergoing Departmental review.

The increase in the number of exotic and wild animals being raised and sold in the United States had led us to propose the addition of Subpart 6 to Title 9, CFR, Part 3, of the animal welfare regulations. These additions are necessary to ensure that exotic animals held at auction markets will be housed in facilities that conform to the AWA. These changes will establish minimum standards for housing, and veterinary care. The proposed standards are presently undergoing Departmental review.

Specific regulations to regulate horses and other farm animals used in non-agriculture research and exhibition are under development.

There is continuing cooperation within APHIS to provide training courses for field personnel. These courses are held at various locations across the country and provide indepth training related to the AWA regulations and standards.

APHIS is also responsible for administering the Horse Protection Act (HPA) of 1970 which prohibits the showing, selling, or exhibition of sored horses. APHIS inspectors monitor shows/sales for compliance and supervise an industry self-regulation system, the Designated Qualified Persons Program (DQP's). APHIS inspectors monitor the quality of inspections conducted by the DQP's at selected shows and, in addition, may randomly examine horses for signs of soring and other violations of the Act and regulations.

Selected Examples of Recent Progress:

1. Animal Welfare

The Department develops and implements regulations to support the AWA. These regulations, which appear in Title 9 CFR, Subchapter A, Parts 1, 2, and 3, provide minimum standards for care and handling of animals. Included are minimum requirements for handling, housing, feeding, sanitation, ventilation, shelter from extreme weather, veterinary care, and separation of species if necessary. Birds as well as rats and mice bred for laboratory use are currently excluded from these regulations as are horses not used for research. Livestock or poultry used for food and/or fiber production are excluded.

In 1985, the AWA was amended by the Improved Standards for Laboratory Animals Act (P.L. 99-198). This amendment dealt with reducing pain and distress for research animals. It also required standards for exercise of dogs and for a physical environment to promote the psychological well-being of primates.

Regulations to implement all of the 1985 amendments became effective March 18, 1991. Licensees and registrants have until February 15, 1994, to comply with regulations requiring major structural changes to their facilities.

In 1990, the Act was amended a fourth time by the Pet Protection Act (P.L. 101-624) passed as part of the Food, Agriculture, Conservation, and Trade Act of 1990. The injunctive relief provision authorizes the Secretary of Agriculture to seek an injunction stopping a licensed entity from continuing to violate the AWA while charges are pending. The pet protection provision directs the Secretary of Agriculture to promulgate additional regulations pertaining to random source dogs and cats. The regulations for the Pet Protection Act are in final review at this date. The injunctive relief provision was effective upon enactment.

During FY 1992, the program conducted 15,573 unannounced compliance inspections and 3,022 announced preclicensing inspections.

APHIS continued its efforts to increase the quality of inspection in FY 1992, by presenting four training courses and adding five enforcement specialists to the field force.

In FY 1992 there were 980 investigations, resulting in 616 official warning letters, 120 stipulations settled, and 105 formal cases prepared and submitted to the Regulatory Enforcement Staff. APHIS forwarded 107 cases to the OGC. There were 43 consent, decisions and 20 decisions and orders settling cases.

2. Horse Protection Act (HPA)

The HPA was enacted in 1970, the intent of which is to eliminate the cruel and inhumane practice of soring horses, primarily Tennessee walkers, racking, and other multi-gaited breeds. Soring is inflicted through the use of action devices, chemicals, or combinations thereof applied to a horse's lower (pastern) limbs in order to accentuate an unnatural high stepping gait referred to in the Tennessee walking horse industry as the "big lick." APHIS enforces the mandate and reports on the program activities annually.

A 1976 amendment to the Act established the Designated Qualified Person (DQP) program. APHIS certifies horse industry organizations to train, license, and monitor DQP's in the performance of inspection procedures. Likewise, DQP's are evaluated for their compliance with all provisions of the HPA regulations.

Trained Veterinary Medical Officers (VMO) attend and participate at shows/sales and establish regulatory inspection procedures, as well as monitor the performance of show/sale managements and the self-regulating DQP system. VMO's also provide program support when needed at DQP training courses and with industry personnel.

On October 12, 1990, revised regulations were published proposing to amend the HP regulations to revise the procedures to be followed by inspectors at horse shows, sales, auctions, or exhibitions. These changes are designed to add further safeguards against soring, and improve the methods of detecting sored horses. A similar proposed rule to amend the regulations regarding the presence of scars on horses foaled after October 1, 1990, is being processed in order to better protect horses under the Act. APHIS expects that these guidelines will improve the quality of inspections performed, while not placing an inordinate burden on the horse industry.

APHIS meets annually with representatives of the horse industry and associations such as the America Horse Protection Association (AHPA). APHIS held an extensive meeting with industry representatives on February 20, 1992, in addition to having numerous discussions with AHPA members throughout the show season. Agency staff also met with industry owners, trainers, and committee members in a field setting. VMO training is held yearly to acquaint new APHIS personnel with the program as well as to provide established VMO's with updates in policy and performance standards. The 1992 horse protection meeting was held in St. Louis, Missouri, from March 3-5. Approximately 43 VMO's, Regulatory Enforcement personnel, USDA legal staff, and horse industry officials attended.

During FY 1992, APHIS conducted 29 investigations. Seventy-one cases were forwarded to the Office of the General Counsel for prosecution. There were 177 consent decisions and 142 disqualifications.

SCIENTIFIC AND TECHNICAL SERVICES

Current Activities: APHIS conducts programs to develop new or improved methods for reducing wildlife/agriculture conflicts, controlling or eradicating harmful plant pests, and applying new technology to assure the latest genetically engineered viral vaccines are pure, safe, potent, and effective. Additionally, the Agency conducts laboratory testing programs to support disease and pest control or eradication programs. Specific program efforts include:

Methods development. ADC methods development activities include: a program to develop blackbird damage-resistant sunflower strains; techniques for control of mountain beaver damage to western forests; methods to reduce rat damage to sugarcane and macadamia nuts; methods for reducing cormorant depredations of catfish; and methods to improve single dose bait consumption by coyotes. The veterinary biologics program is pursuing the development of test methods that will reduce the number of live animals used to test veterinary biologics, while the plant methods laboratories are working on methods to control the AHB, biorational approaches for eradication of gypsy moth populations, and to treat tropical fruits from Central and South America and the Caribbean with hot water to destroy harmful pests. Methods activities also include developing techniques for evaluating, producing, and releasing biocontrol agents for a number of agricultural pests.

Biotechnology. Biotechnology has emerged as a force with the potential to improve existing products and spawn new technologies which could benefit agriculture as well as the general U.S. economy. Under its broad authority to protect plant and animal health, the Department has established a regulatory structure for bringing the benefits of genetic research from the laboratory to the marketplace, while protecting against the release of potentially harmful organisms into the environment.

Laboratory testing. The program for testing veterinary biological products is expanding to encompass testing for licensure of products destined for intrastate as well as interstate use, and the testing of genetically engineered products. The veterinary diagnostics program continues testing in support of the Agency's animal disease prevention, detection, control, and eradication programs. In FY 1991, APHIS received authority to establish and collect user fees for this program.

Selected Examples of Recent Progress:1. ADC Methods Development

In FY 1992, the Denver Wildlife Research Center (DWRC) continued to develop and validate analytical methods of chemical analysis, and to register and reregister chemicals such as Compound 1080, strychnine alkaloid, zinc phosphide, Starlicide (DRC-1339), and dimethyl anthranilate. These compounds are used for small mammal, bird, and predator control, and for taste aversion. Approximately 50 percent of the methods development effort was devoted to developing alternative, nonlethal methods such as bird repellents, varietal resistance of crops to vertebrate damage, habitat manipulation, and immunocontraception.

Effective January 13, 1992, the DWRC was placed in the ADC Unit as part of an Agency restructuring designed to strengthen and integrate our scientific and technical services with the operational program components. This has allowed improved coordination and communications between field operations and methods development professionals. During FY 1992, DWRC established new project offices at Washington State University, the University of California-Berkeley, and the University of California's Hopland Field Station. These project locations will enhance ADC methods development on coyotes and other mammalian problems in the western United States.

The ADC methods program continued to emphasize research and development of nonlethal control methods. Based on research findings by DWRC regarding the chemical immobilizing agent alpha-chloralose, the Food and Drug Administration recently issued an investigational new animal drug agreement for alpha-chloralose for use by Federal ADC biologists for capturing nuisance waterfowl and pigeons.

Preliminary examination of summer field data collected by ADC personnel in North Dakota, South Dakota, and Colorado has demonstrated the potential of a new breakaway snare equipped with a shear-pin lock developed at DWRC. Project reports indicate that several deer, antelope, and cattle have released themselves after being captured in the test snares, while most coyotes were captured and held. Additional field testing is planned during winter to obtain additional observations encompassing a variety of field conditions.

Among other projects, DWRC is currently conducting research to identify an immunocontraceptive for use on deer and other mammals as a method to regulate wildlife populations. The program completed evaluation of methyl-anthranilate as a bird repellent in rice fields and livestock feedlots with promising results. An electronically controlled effigy-type scare device called "Scary Man" has proven effective in discouraging cormorants from commercial catfish farms in the Delta States.

DWRC submitted over 35 data volumes and labels, numerous amendments, data waiver requests to EPA in support of vertebrate registrations. Each data volume supports a specific type of information that the Center is providing.

Pesticide registration consortia consisting of APHIS personnel, private registrants, and State governments collaborated to provide data in support of product reregistration for strychnine, Starlicide, zinc phosphide, and methiocarb.

2. Biotechnology/Environmental Protection

Environmental Protection

In FY 1992, the Agency consolidated its three environmental units, Environmental Analysis and Documentation (EAD), Technical Support Services (TSS), and the National Monitoring and Residue Analysis Laboratory (NMRAL), under one division, as part of an expanded biotechnology/environmental protection line item. The line item now covers two key functions of the Agency in the 1990's: ensuring that APHIS functions as a good steward of the environment as it conducts control and eradication programs, and serving as a regulatory bridge for the safe transfer of biotechnology products from the laboratory to the marketplace. Under our "circle of environmental protection" concept, the program helps the Agency comply with its environmental requirements--the National Environmental Policy Act (NEPA) and other environmental laws, regulations, and Executive Orders--in a proactive fashion.

The program's Environmental Analysis and Documentation unit works with program planners to identify and develop viable alternatives to current control and eradication programs and documents APHIS' environmental planning activities. In FY 1992, EAD began work on a programmatic environmental impact statement (EIS) for Veterinary Services programs and prepared a preliminary draft of the programmatic EIS for the Mediterranean fruit fly program. It also prepared environmental documents for 32 of APHIS programs such as the emergency Asian gypsy moth eradication program.

The program's TSS unit maintains registration of chemicals and other substances used in current APHIS programs, while helping the Agency identify emerging, less environmentally invasive alternatives to current practices. TSS also helps programs develop monitoring plans that assess the impact of Agency actions on the environment. In FY 1992, TSS prepared six monitoring plans in support of Plant Protection and Quarantine programs and three in support of the ADC program. TSS also took the lead in developing training programs required by the Environmental Protection Agency to qualify ADC State personnel in the use of the livestock protection collar. In addition, TSS reduced the cost of maintaining Agency pesticide registrations by consolidating many registrations from Section 24(c) registrations under Federal Insecticide, Fungicide and Rodenticide Act (FIFRA) to Section 3 registrations.

NMRAL at Gulfport, Mississippi, analyzes samples of soil, water, and crops for pesticide residue to determine the safety of ongoing and alternative programs. The laboratory supports all APHIS programs and is contracted to perform reimbursable work for other USDA agencies and other groups for the analysis of pesticide residues and industrial chemicals. In FY 1992 NMRAL conducted 6,209 chemical analyses for pesticide residue, including 4,191 in support of APHIS programs and 2,018 under contract. The laboratory also analyzed 600 plugs of trimedlure for potency and stability. These plugs are used as part of the Medfly surveillance programs.

Working together these units will help APHIS integrate environmental planning into program development at the earliest possible time, rigorously explore alternatives to current control and eradication programs, and anticipate and prevent environmental problems.

Biotechnology

In FY 1992, the Agency found itself at a crossroads in its biotechnology regulatory program. During the past 5 years, APHIS had experienced rapid growth in workload, going from 5 field release permits in FY 1987 to 162 in FY 1992. Over the entire period, APHIS has issued over 350 release permits for field tests of transgenic plants and over 1,000 permits for the movement of these plants. Under this system the United States has become the world leader in the safe field testing of the products of biotechnology. Also, these tests represent millions of dollars in Government and private investment and the hope of more productive and environmentally benign approaches to agriculture. Examples include the FLAVR SAVR tomato with its extended shelf life and cotton plants with a gene from the bacterium Bacillus thuringiensis (or BT), which is toxic to the larvae of certain insects but safe for other insects, animals, and humans.

Based upon our past experience and other relevant information we believe that we can reduce oversight for such field tests and movement commensurate with the level of risk. To this end we moved in FY 1992 to amend our regulations to establish: (1) a notification process for the introduction of transgenic plants which were developed with genetic material from known plant pests and (2) a petition process allowing determination that such articles should not be regulated.

Notification

The notification process is based upon the concept that it is possible for APHIS to assure that environmental risks will be minimal if a field test meets performance standards. The standards will set the goal but not the specific design protocols which researchers might use to achieve the performance standards. APHIS will, however, provide them with examples of possible design protocols which are suitable for meeting the performance standards. If the proposed field test meets the prescribed standards, APHIS will not require a permit to conduct the test. The researcher will simply notify APHIS of the nature and location of the proposed field test, and certify that the test will be conducted in accordance with the relevant standards. In turn, APHIS will provide this information to the respective State regulatory officials. The Agency will review proposed field tests which do not qualify for the notification process under the current permitting process. Based upon past field tests, we estimate that researchers could conduct 85 percent of such tests under notification and, similarly, a majority of the movement of plants.

Petition

The proposed rule also provides for a petition process allowing for a determination that certain transgenic plants are no longer regulated articles. The proposal would provide a procedure for filing a petition for nonregulated status for those organisms which do not present a plant pest risk and therefore, should no longer be regulated articles.

Taken together, we believe these changes should encourage innovative biotechnology research and rapid development without compromising safety. They also should assure notification of States and the general public, and allow APHIS to focus its limited resources on petitions for release from regulation on more complex permit applications and on efforts to harmonize biotechnology regulations between nations.

3. Integrated Systems Acquisition Project (ISAP)

In FY 1992, APHIS formally established the Office of the Trail Boss (OTB). This is the project Office for the ISAP and follows the organizational structure detailed by the General Services Administration (GSA), and USDA's Parallel Review Process for major information resource management acquisitions. OTB achieved several major milestones in FY 1992. These included: obtaining clearances from GSA, the Office of Management and Budget, and USDA to proceed with the acquisition process; establishment of internal infrastructures for ISAP management; issuance of a draft Request for Proposals; and the initiation of two major transition activities which will help prepare the Agency to implement ISAP. Program accomplishments included the following:

--The Agency was successful in obtaining a Delegation of Procurement Authority from GSA.

--An IRM Council/Source Selection Board was created. The IRM Council is responsible for setting the overall direction for IRM within the Agency and establishing priorities. The Council will serve in a dual role as the Source Selection Board for ISAP.

--A Source Evaluation and Implementation Board was established. This board is responsible for providing the Source Selection Board with an award recommendation based on technical and business findings taken from the ISAP proposals. The board is also responsible for program-wide implementation planning including site specific requirements for hardware, software, telecommunications, and support services.

--The Agency issued the draft Request for Proposals on June 30, 1992. This is the third submission of this proposal to the vendor community for their comments and suggestions. The vendor response indicated that the computer and integrator industries are receptive to the ISAP approach.

--An Information Systems Planning (ISP) process has been formalized within APHIS. The ISP will identify ways the Agency can improve management of the nearly \$30 million spent annually on information systems. The ISP is a Department requirement which must be met prior to the Agency awarding the ISAP contract.

--The Agency has begun development of a communication network and network management plan to be used prior to, during and after ISAP. This step is necessary in order to operate the multiple, geographically distributive, shared databases in APHIS.

4. Plant Methods Development Laboratories

The program is expanding the development and improvement of detection and control technologies for key exotic, introduced, and native pests. Emphasis is also being placed on developing control treatments for the IFA.

The Hoboken, New Jersey, Plant Methods Development Center (PMDC) continues to focus efforts on development of methods for fumigation, cold transport, hot water, and vapor heat treatment of commodities. During FY 1992, development of a "training module" was initiated. The module deals with certification of overseas commodity treatment facilities. Increasing emphasis is being placed on replacing methyl bromide fumigation. Present fumigation schedules are being tested and testing will proceed on alternative and low temperature treatment.

At the Mission, Texas, PMDC, emphasis continues to be placed on fruit fly areas. Refinement of technology such as traps and chemical treatments of crops in season to eliminate the need for post-harvest treatments for certification is underway. The center made significant progress in microbial suppression of fruit flies to reduce the use of bait sprays, decreasing dosages and improving formulations of insecticides, developing male annihilation systems for Medfly control, and deploying better survey and detection technology. In the development of sterile insect technique for fruit flies, emphasis is on improvement of laboratory rearing to increase quality of the sterile insects. In the boll weevil eradication program, the operational aspects of the program are being modified to handle areas with lesser boll weevil problems at a reduced cost. New technology is also being tested, including the bait principle to eliminate spray application of chemicals when needed, and biological control using parasitoids.

The Otis, Massachusetts, PMDC, has increased emphasis on the development of new, and improvement of existing, gypsy moth management techniques including the sterile insect and mating disruption techniques. During FY 1992 the program increased testing of virus for gypsy moth control and transfer of this technology to industry. An identification laboratory has been established for European and AGM. Other activities focused on developing regulatory treatments for the Japanese beetle and the apple ermine moth. Biological programs focused on the RWA and euonymus scale, and investigating the use of parasitoids for European and AGM control.

At the Phoenix, Arizona, PMDC, efforts continue to focus on new and existing grasshopper management techniques aimed at minimizing reliance on traditional pesticide approaches. In FY 1992, a program was initiated for testing biological control agents for sweet potato white fly. Also, pink bollworm mass production is vastly improved due to an automated diet processing system for pink bollworm rearing.

The Whiteville, North Carolina, PMDC, provides scientific and technical support to APHIS and its stakeholders for soil related pests including witchweed, other noxious weeds, IFA, and golden nematode. During FY 1992, a pyrethroid was tested as a substitute for chlorpyrifos in potting media for IFA control in nursery products. The center also developed and began testing a computerized system of Federal noxious weed identification.

Beginning in FY 1993, activities of the National Monitoring and Residue Analysis Laboratory at Gulfport, Mississippi, are funded under the biotechnology and environmental protection line item. Previous year accomplishments for this laboratory are listed under the biotechnology heading.

5. Veterinary Biologics

APHIS conducts the veterinary biologics program under the authority of the Virus-Serum-Toxin Act of 1913, as amended. The Act provides USDA with the authority to regulate veterinary biologics imported to the United States, moved in intrastate or interstate commerce, or exported. The Agency issues a product license for production or a permit for importation after an applicant has met all requirements for product purity, safety, potency, and efficacy.

As in past years, program activity continued to increase in volume and complexity in FY 1992. For example, the number of licensed manufacturing establishments increased from 109 to 112. Also, APHIS issued 126 product licenses and terminated 54 product licenses for a total of 2,026 active licensed or permitted products in FY 1992 as compared to 1,964 in FY 1991. Producers presented APHIS with a total of 23,042 serials of veterinary

biologics for release last year, an increase of 243 over FY 1991. These included 2,840 serials for use in poultry and 20,202 for use in other species. APHIS withheld 5.2 percent of the poultry serials and 3.5 percent of serials for other species from the market for failing to meet Agency requirements for purity, safety, potency and efficacy. The NVSL tested 1,545 of the 23,042 serials.

APHIS investigators conducted 50 preliminary investigations related to possible violations of program regulations in FY 1992, resulting in the formal investigation of 18 cases. The program issued four warning notices with no cases referred for criminal or civil penalties.

The program continues to develop new testing methods for veterinary biological products, while working at the same time to improve current tests. For example, NVSL is working on in-vitro potency tests for veterinary biologics, which reduce the use of laboratory test animals and are less costly and more accurate than laboratory animal testing. The program has established procedures for statistical analysis of data and maintenance of acceptable standards for in-vitro testing. This change should make it much easier for industry to use in-vitro testing in the future.

The veterinary biologics program has also moved forward with efforts to reduce trade barriers to the sale of products overseas. For example, program officials met with representatives from the European and U.S. biologics industries and regulatory officials from the European Economic Community (EEC). The intent was to start the process of harmonizing requirements for the production, testing, and licensing of veterinary biological products between the United States and the EEC. U.S. and EEC regulatory officials will continue efforts to work toward harmonization this year.

To ensure responsiveness to consumer concerns, APHIS maintains a toll-free hotline to address complaints about the potency, safety, or efficacy of veterinary biologics. In August, the Agency sponsored the fourth annual APHIS Veterinary Biologics Public Meeting to discuss any questions and concerns among producers about the Agency's regulatory program, including a section on consumers' perception of the quality and performance of veterinary biologics in the field.

6. Veterinary Diagnostics

During FY 1992, National Veterinary Services Laboratory (NVSL) has given diagnostic support to the National Animal Health Monitoring System for the national swine and dairy heifer surveys. Tests for salmonella, Escherichia coli, selenium and other trace materials, several viral pathogens, cryptosporidium, and water quality were performed during the studies.

In response to the continuing SE problem throughout the United States, NVSL shifted resources to test the large volume of salmonella isolates submitted. Salmonella serotyping has increased from a normal of 6,000 isolates per year to over 35,000 isolates in FY 1992.

Thirty-three scientists from the United States, Mexico, Canada, and Ireland participated in a workshop at NVSL on diagnostic techniques for bovine tuberculosis. The workshop provided an environment for open exchange of information among participants. Participants expressed a desire to share reagents and other resources with other investigators. Collaborative efforts that have developed since the workshop include: a current study involving NVSL, Canadian, and Colorado investigators to develop antibodies to M. bovis specific antigens; projects involving Mexican and NVSL investigators utilizing enzyme-linked immunosorbent assay (ELISA) testing of M. bovis

infected dairy herds and testing alternative transport media; and a proposal involving Canadian and NVSL investigators designed to compare conventional techniques and immunohistochemical techniques as diagnostic tools in TB diagnosis.

During FY 1992, the Centers for Disease Control (CDC) ceased histological examination of bovine brains for bovine spongiform encephalopathy (BSE), and NVSL personnel began to examine them. The results from these samples were incorporated into BSE survey data.

A commercial inactivated vaccine for African horse sickness (AHS) serotype 4 has been evaluated in a 1 and 2 dose regime. The vaccine was safe and effective in both regimes and could be available for use in the United States in the event of an emergency regarding this foreign animal disease. Also, in a cooperative program with the University of California at Davis, five antibodies have been generated which can be used in a competitive ELISA to detect specific group-reactive antibodies to the AHS virus.

Monoclonal antibodies against peste des petits ruminants (PPR), which work in a competitive ELISA were developed. These antibodies are specific for PPR and can differentiate this virus from all other known morbilliviruses including rinderpest, canine distemper, and phocine distemper. Use of these monoclonal antibodies in a competitive ELISA give serological results in 5 hours instead of 5 days with virus neutralization tests which support the Agency's foreign animal disease efforts.

A ribonucleic acid probe made from nonstructural protein-1 of bluetongue virus was used to successfully detect all 24 serotypes of bluetongue virus in cell culture, using an in situ hybridization procedure. This probe could prove useful in circumventing lengthy diagnostic procedures for the detection of bluetongue virus.

The porcine reproductive and respiratory syndrome has created economic loss for the swine industry for the last 5 years, and in the last year there have been export restrictions put on U.S. swine due to the disease. NVSL has taken the lead in developing diagnostic tests for the disease. Virus isolation and serological procedures have been developed and validated. They are being used for the diagnosis of suspected cases, surveillance, surveys, and import-export testing.

CONTINGENCY FUNDS

Gypsy Moth

APHIS conducted 40 eradication projects in 10 States during FY 1992, for a total of 55,631 acres treated. U.S. Forest Service and State governments cooperated with APHIS in three of these States; Illinois, Indiana, and North Carolina. The table below provides figures for each State. Treatments applied include: mass trapping, disparlure flakes, Bacillus thuringiensis, and dimilin.

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<u>State</u>	<u>Projects</u>	<u>Acres</u>
Illinois	6	140
Indiana	1	7
Michigan	1	165
North Carolina	9	7,644
Ohio	2	125
Oregon	1	542
Virginia	1	6,000
Washington State	4	24
Wisconsin	13	40,888
West Virginia	2	96
Total	40	55,631

Necrotic Strain of Potato Virus Y (PVY-N)

APHIS received contingency funds in FY 1991 for survey activities that were conducted in FY 1991 and FY 1992. In February 1992, PVY-N was discovered in a potato field in Florida. Because the potatoes were being used for tablestock rather than seed potatoes, and because the field was left fallow over the summer, there is no risk of the disease spreading.

The FY 1992 Supplemental Appropriation Act directed APHIS to provide a grant of \$530,000 to Maine, for activities related to PVY-N, including compensation to persons for economic losses associated with PVY-N activities that were conducted in Maine. APHIS received contingency funds in FY 1992 for the grant to Maine.

Salmonella Enteritidis (SE)

The SE program was funded out of contingency funds and CCC funds in FY 1992. In 1990 and 1991, 67 SE human outbreaks were reported each year. Through October 1992, only 44 human outbreaks have been reported. This compares to 64 during the same period in 1991, and there is some indication that the number of cases is decreasing. Eggs were implicated in 16 of the 1992 outbreaks, compared with 13 from the same period in 1991. The program continued to monitor human outbreaks and conduct tracebacks to flocks of origin. In addition, the Salmonella Task Force has been conducting a field trial to determine the best methods of culturing eggs from suspected flocks.

In an effort to prevent SE outbreaks, APHIS began a large SE pilot project in Pennsylvania to determine the best methods of preventing and controlling SE in egg-layer flocks. This project, which is a cooperative project between producers, the USDA, and the Pennsylvania Department of Agriculture, began in April 1992 and monitors some 4 million egg layers in 60 hen houses on 37 premises. The pertinent findings of the project will be used to promote voluntary certification programs in areas where SE is a problem for egg-layer flocks. The main objectives of the project are to test flocks for SE to make sure that eggs containing SE will not go to market, and to determine the factors involved in eliminating SE from affected flocks and preventing its entrance into flocks not affected.

Scrapie Eradication

In FY 1992, APHIS made available slightly over \$2 million in contingency funds for depopulation and indemnity activities involving the scrapie program. In late July, APHIS published its voluntary scrapie flock certification program as a final rule and issued a proposal regarding a scrapie indemnity program. The certification program became effective on

October 1, 1992. On December 9, 1992, APHIS published a final rule in the Federal Register that provides for the depopulation and indemnification of scrapie-infected and source flocks. This rule, which took effect January 8, 1993, revised the indemnity payment plan for sheep and goats infected with or exposed to scrapie by reducing the maximum indemnity paid for each sheep or goat. Since the certification program was not implemented until FY 1993, no contingency funds were used in FY 1992.

Screwworm

Outbreaks of screwworm (SW) were reported in southern Mexico on January 22, 1992, and in northern Mexico on April 22, 1992. Altogether, 61 cases were detected in 5 states during FY 1992. The most recent case was detected on September 30, 1992. The northernmost detection was 121 miles from the United States border, occurring in the town of Sota La Marina, in the State of Tamaulipas.

In response to the outbreak, the United States and Mexico initiated a cooperative emergency eradication effort involving intensive field surveillance and sterile fly dispersal in the affected areas. Mexico was responsible for the field surveillance, and had approximately 526 people dedicated to this effort in the outbreak. Contingency funds were used to fund \$825,000 of the estimated \$5.4 million required for screwworm eradication activities in FY 1992, with the remaining funds drawn within the appropriated screwworm program, and \$2.5 million contributed by the government of Mexico.

The United States/Mexico commission production facility produced over 15 billion sterile insects during FY 1992, of which 8 billion were dedicated to the outbreak.

Sweetpotato Whitefly (SPW)

The SPW has recently become a catastrophic pest in a multitude of field crops and greenhouse ornamentals across the southeastern and desert southwestern U.S. In November 1991, California declared a State of emergency in Imperial and Riverside Counties due to the enormous damage caused by the SPW. These counties provide most of the nation's winter vegetable supplies.

APHIS' goal is to introduce exotic natural enemies of SPW into the U.S. to significantly reduce SPW populations and relinquish insecticide use. In FY 1992, the Agency conducted a survey of the SPW and its natural enemies, discovering that of the seven species of native parasites, only one appeared widespread. Parasitization rates were higher in winter (33 percent) than in summer (15 percent), and were less abundant with native parasites. The Mission Biological Control Laboratory in Texas produces species of exotic natural enemies, including one coccinellid and seven aphelinids. In addition, DNA fingerprints have been obtained by rapid Polymerase Chain Reaction techniques. For example, 168,000 Encarsia formosa and 105,000 Eretmocerus mundus were produced for release in California and Texas. Also, 40,000 parasites were shipped to researchers in the U.S. and Mexico this fiscal year in FY 1992.

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In FY 1992 contingency funds were released for the following programs:

FY 1992 OBLIGATIONS
(dollars in thousands)

	<u>Available</u>	<u>Obligated</u>	<u>Balance</u>
Gypsy moth	621	580	41
Necrotic strain of Potato Virus Y	1,402	1,311	91
<u>Salmonella enteritidis</u>	3,336	2,610	726
Scrapie	2,072	0	2,072
Screwworm	825	825	0
Sweet potato whitefly	297	297	0
Carryover into FY 1993			<u>2,930</u>

ANIMAL AND PLANT HEALTH INSPECTION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter is enclosed in brackets):

Buildings and Facilities

- I For plans, construction, repair, preventive maintenance, improvement, extension, alteration, and purchase of fixed equipment or facilities, as authorized by 7 U.S.C. 2250, and acquisition of land as authorized by 7 U.S.C. 428a, [\$10,400,000] \$10,272,000, to remain available until expended (7 U.S.C. 2209b).

This change would provide authority for funding major preventive maintenance projects identified under the newly established APHIS Facilities Maintenance Program.

BUILDINGS AND FACILITIES

Appropriations Act, 1993.....	\$10,400,000
Budget Request, 1994.....	<u>10,272,000</u>
Decrease in Appropriation.....	<u>-128,000</u>

SUMMARY OF INCREASES AND DECREASES
(on basis of appropriation)

<u>Item of Change</u>	<u>1993 Estimated</u>	<u>Other Changes</u>	<u>1994 Estimated</u>
Decrease of one time construction projects in 1993.....	\$5,000,000	-\$5,000,000	--
Basic buildings and facilities repair, alterations, and preventive maintenance.....	5,400,000	+1,828,000	\$7,228,000
Complete Phase IB of the Denver Wildlife Research facility in Ft. Collins, Colorado.....	--	+2,000,000	2,000,000
Replace the Animal Predator facility in Millville, Utah.	--	+500,000	500,000
Expand the Plant Methods Development Rearing facility in Mission, Texas.....	--	+672,000	672,000
Administrative savings.....	--	<u>-128,000</u>	<u>-128,000</u>
Total Available.....	<u>10,400,000</u>	<u>-128,000</u>	<u>10,272,000</u>

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BUILDINGS AND FACILITIESPROJECT STATEMENT
(On basis of available funds)

	1992 Actual	1993 Estimated	Increase or Decrease	1994 Estimated
Total Obligations...	\$4,572,168	\$10,400,000	-\$128,000	\$10,272,000
Unobligated balance available, start of year.....	-23,393,014	-40,216,846	--	--
Unobligated balance available, end of year.....	40,216,846	40,216,846	--	--
Total, Appropriated funds.....	21,396,000	10,400,000	(1) -\$128,000	\$10,272,000

EXPLANATION OF PROGRAM

The APHIS appropriation "Buildings and Facilities" funds major non-recurring construction projects in support of specific program activities and recurring construction, alterations, preventive maintenance, and repairs of existing APHIS facilities.

JUSTIFICATION OF INCREASES AND DECREASES

- (1) A net decrease of \$128,000 for buildings and facilities (\$10,400,000 available in FY 1993).

- (a) A decrease of \$128,000 for administrative efficiency.

Need for Change. To promote the efficient use of resources for administrative purposes, in keeping with the President's Executive Order, total USDA baseline outlays for these activities will be reduced by 3 percent in FY 1994, 6 percent FY 1995, and 14 percent in FY 1997.

Nature of Change. To achieve the savings in this line item, the Agency will reduce contracts and other services.

- (b) A decrease of \$5,000,000 for one-time construction projects in FY 1993.

Need for Change. Construction or design of the one time projects identified in the FY 1993 request will be completed.

Nature of Change. The following projects will be built or designed with the funds requested in FY 1993 (in millions of dollars):

Screwworm Plant Master Plan and Design	\$0.5
Design of the Plant	
Germ Plasm Quarantine Facility, Phase III	1.0
Plum Island Modernization	3.5
	<u>5.0</u>

- (c) An increase of \$1,828,000 for recurring construction, alterations, preventative maintenance, and repairs of existing facilities.

Need for Change. The basic buildings and facilities budget funds recurring design, construction, repairs, alterations and improvements to APHIS facilities. These facilities include animal quarantine stations, border inspection stations, sterile insect rearing facilities, and laboratories. As the buildings age, major repairs or replacement of items, such as roofs, and heating and ventilation systems become critical to the overall building operation. The Agency performs these repairs and replaces items as needed.

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APHIS established in FY 1991, for the first time, a preventive maintenance program. The program is designed to identify deficiencies within its currently owned facilities and to develop a strategy to effectively and efficiently maintain these facilities. The strategy will permit repairs to be made prior to the problems becoming an impediment to facility operation.

Environmental protection is a major concern of the APHIS buildings and facilities program. Beginning in FY 1994, APHIS will establish a separate fund within basic buildings and facilities to pay for construction improvements which enhance environmental protection. These environmental needs include improvements necessary to meet local enforcement requirements outlined in the Clean Air and Clean Water Acts.

Nature of Change. This increase will allow more timely and adequate maintenance and repair of the APHIS operated facilities. The increase will provide for planning, and contract services in support of construction projects that are identified as environmental issues, or are identified by the Facilities Maintenance Program during the fiscal year. The increased funding will be allocated as follows:

Basic Buildings and Facilities	\$1,028,000
Environmental Support	500,000
Facilities Maintenance Program	300,000
	<u>1,828,000</u>

- (d) An increase of \$2,000,000 to complete Phase IB of the Denver Wildlife Research Center in Ft. Collins, Colorado.

Need for Change. In FY 1990, the Animal and Plant Health Inspection Service (APHIS) approved the master plan for the development of the Denver Wildlife Research Center in Ft. Collins, Colorado.

The existing animal research facilities at the Denver Wildlife Research Center (DWRC), located at the Denver Federal Center (DFC) in Lakewood, Colorado, are either inadequate or are incompatible with the General Services Administration (GSA) Master Plan for the Federal Complex. A portion of DWRC's animal holding pens and associated support buildings have already been demolished as part of the DFC Master Plan. New facilities for Animal Damage Control (ADC) research are vital for developing alternative solutions to wildlife damage problems. Based on the need for a more suitable location, APHIS has established a long-term cooperative agreement with Colorado State University (CSU) that provides ideally located space for an alternative ADC research program in Ft. Collins. Relocation of the DWRC to Ft. Collins has been supported by the Department and the Secretary's National Animal Damage Control Advisory Committee. In addition, the House Committee on Appropriations has provided the Secretary with the Committee's endorsement for construction of the animal research facility at CSU.

Funding has been appropriated for Fiscal Years 1990 and 1992 with a combined total of \$8,500,000. This funding has supported PHASE 1A and part of PHASE 1B of the Master Plan. Since full funding had not been approved, adjustments to the design were made.

Nature of Change. The increase will be used to complete Phase IB of the Denver Wildlife Research Center in Ft. Collins, Colorado. This phase includes the design and construction of the outdoor animal holding pens.

- (e) An increase of \$500,000 to replace the Animal Predator Facility in Millville, Utah, and restore the existing building for use as a warehouse.

Need for Change. ADC operates a predator research facility at Millville, Utah, where studies of population parameters and behavioral characteristics of coyotes are conducted. In October 1992, the project offices on the Utah State University campus and the ADC Millville

Research site were forcibly entered, vandalized and incendiary devices set. The ensuing fire at the Millville facility caused severe damage to the offices and laboratories. In addition, a number of the animal enclosures were vandalized. Local building officials and APHIS engineers determined the building to be unsafe due to substantial structural damage.

Since the fire, APHIS has initiated design for a new facility which will include compliance with local fire and safety codes as well as the Animal Welfare Act. Design of the new facility will be completed in late FY 1993. ADC operations have been severely compromised during the time this facility has been out of operation. ADC has established temporary facilities with limited capabilities.

Nature of Change. The increase will fund construction of a new facility to replace the Animal Predator Facility in Millville, Utah, which was destroyed by fire, and restore the existing facility for use as a warehouse.

- (f) An increase of \$672,000 to expand rearing facilities for Plant Methods Development at Mission, Texas.

Need for a Change. APHIS' Plant Methods laboratories are responsible for, among other things, investigating and developing methods for use of new non-chemical controls of plant pests. There are many promising new parasites and predators that APHIS would like to further investigate, but space for rearing several different species does not currently exist. These parasites and predators could be used to quickly suppress infestations of Mexican Fruit Fly, thus reducing reliance on chemical controls and the more expensive sterile insect technique.

There are also several emerging control methods which are very promising but require microbial evaluation. Again, current space is too limited to allow for such evaluations to be conducted. These new methods are similar to the use of the naturally occurring *Bacillus thuringiensis* (Bt) to control Gypsy Moth infestations. These methods could be applied to the control of boll weevils and other cotton pests in addition to fruit flies.

Nature of Change. The increase will be used to expand facilities to accommodate the rearing of parasites and predators for the Mexican Fruit Fly and other related species. Additionally, space will be made available to allow for microbial evaluations of promising organisms that can combat pests such as fruit flies, boll weevil, and other cotton pests.

ANIMAL AND PLANT HEALTH INSPECTION SERVICE

BUILDINGS AND FACILITIES

STATUS OF MAJOR CONSTRUCTION PROJECTS

Current Activities: The Buildings and Facilities appropriation funds major non-recurring construction projects in support of program activities and recurring construction, alterations, and repairs of existing facilities. The on-going major construction programs as of October 1992 are:

1. Plant Germplasm Quarantine Laboratory, Beltsville, Maryland - (\$3,800,000 available from the FY 1990 appropriation).

The design of the new laboratory is complete. APHIS has awarded the construction contract. Construction is scheduled to begin in the third quarter of 1993 with completion in about 12 months. Through September 30, 1992, \$2,294,866 had been obligated.

2. Animal Research Laboratory, Phase Ia, Fort Collins, Colorado - (\$6,000,000 available from the FY 1990 appropriation).

The design of the laboratory is complete. The construction contract has been awarded. Construction will take about 16 months. Through September 30, 1992, \$422,318 had been obligated.

3. Outdoor Animal Holding Area, Phase Ib, Fort Collins, Colorado - (\$2,500,000 available from the FY 1992 appropriation).

The Statement of Work for design has been completed. APHIS is currently negotiating a fee for design with the contract Architectural/Engineering firm. Design is anticipated to begin in the second quarter of FY 1993. Through September 30, 1992, no funds have been obligated.

4. National Plant Germplasm Quarantine Center: Phase I, Beltsville, Maryland - (\$12,000,000 available from the FY 1991 appropriation).

The Statement of Work for design is currently being developed by APHIS. Design will be completed in FY 1993. Construction is expected to begin in the second quarter of FY 1994 with completion in about 12 months. Through September 30, 1992, no funds had been obligated.

5. National Germplasm Quarantine Center: Phase II, Beltsville, Maryland - (\$12,000,000 available from the FY 1992 appropriation).

The Statement of Work for design is currently being developed by APHIS. Design is anticipated to be completed by the first quarter of FY 1994. Construction is estimated to begin by the third quarter of FY 1994. Through September 30, 1992, no funds had been obligated.

6. Plum Island Animal Disease Center Consolidation, New York - (\$5,000,000 available from the FY 1991 appropriation and \$1,737,450 available from the FY 1992 appropriation).

This is a joint ARS/APHIS construction project. ARS has awarded the contract for construction. Construction is scheduled to begin during the first half of FY 1993. Through September 30, 1992, \$6,737,450 had been obligated.

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PASSENGER MOTOR VEHICLES

The 1994 Budget Estimates propose the purchase of 170 replacement passenger motor vehicles.

The passenger motor vehicles of the Service are used by veterinarians, animal health technicians, plant protection and quarantine officers, inspectors, wildlife biologists, and other technical personnel in the performance of their duties. APHIS personnel use passenger motor vehicles during their daily activities to travel between individual ranches, farms, orchards, nurseries, ports, and other commercial firms. Use of common carriers is not feasible because of the need to travel in mostly rural areas. Comparative cost studies have shown that it is more economical to use Government-owned vehicles rather than reimburse employees for the use of privately-owned cars.

The Service's policy is to pool vehicles for use as much as possible. This results in a minimum of passenger motor vehicles and reduces overall operating costs. Operators are required to maintain and submit operational data. These periodic surveys are made to determine the continued need for vehicles and their condition.

Replacement of passenger motor vehicles. APHIS proposes replacing 170 of the 679 passenger motor vehicles in the Agency fleet. Of the 679 vehicles, 574 vehicles are estimated to be in operation at the beginning of FY 1994, 96 vehicles have been sold and not yet replaced, and 9 vehicles have been ordered and not yet delivered. These 574 vehicles are located in field locations and are used for pest and disease exclusion, plant and animal health monitoring, pest and disease management, animal care, and scientific and technical services programs. The control, eradication, testing, and inspection activities are essential in protecting the Nation's agriculture. All vehicles proposed for replacement have 60,000 or more miles or are more than 6 years of age.

Age and mileage data for passenger motor vehicles on hand as of September 30, 1992, are as follows:

Age Data			Mileage Data		
Age-Year Model	Number of Vehicles	Percent of Total	Lifetime Mileage (thousands)	Number of Vehicles	Percent of Total
1987 & older	111	19%	80 or more	92	16%
1988	101	18%	60 - 80	77	13%
1989	37	6%	40 - 60	100	18%
1990	151	26%	20 - 40	148	26%
1991	111	19%	20 or less	157	27%
1992	63	12%			
TOTAL	574	100%	TOTAL	574	100%

AIRCRAFT

There are presently 20 aircraft in the Agency fleet, 9 for domestic plant pest and disease programs, 9 for animal damage control programs and 2 for international plant and animal pest exclusion programs. During FY 1992, APHIS acquired two surplus aircraft and excessed two aircraft. APHIS aircraft make aerial surveys and aerial application tests, are used for insect trapping operations, and are used to demonstrate special equipment for suppression of destructive insects attacking crops.

Replacement aircraft, if purchased, would be used primarily in pest and disease management programs. These aircraft are sometimes used to supervise and observe contract planes which are newer, faster models than those the Agency has available. While this replacement authority is requested each year in the appropriation act, the aircraft are replaced only when necessary to maintain the fleet in safe and efficient operating condition.

WEDNESDAY, FEBRUARY 17, 1993.

PACKERS AND STOCKYARDS ADMINISTRATION

WITNESSES

CALVIN W. WATKINS, ACTING ADMINISTRATOR, PACKERS AND STOCKYARDS ADMINISTRATION

WILLIAM A. ASHLEY, STAFF DIRECTOR, MANAGEMENT SERVICES STAFF

GERALD E. GRINNELL, DIRECTOR, INDUSTRY ANALYSIS STAFF

STEPHEN B. DEWHURST, BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

OPENING REMARKS

Mr. DURBIN. From the Packers and Stockyards Administration, we have Mr. Calvin Watkins, Acting Administrator; Mr. William Ashley, Staff Director; Gerald Grinnell, Director of the Industry Analysis Staff and Mr. Dewhurst, Budget Officer. Thank you for joining us.

Mr. Watkins, we have your statement and we invite you now to summarize, if you would please, and then we will ask a few questions.

ADMINISTRATOR'S STATEMENT

Mr. WATKINS. Thank you, Mr. Chairman, members of the committee. I appreciate the opportunity to appear here before the subcommittee to discuss the programs of the Packers and Stockyards Administration. I will summarize my statement and ask that it be included in the record.

Mr. DURBIN. It certainly will be, in its entirety.

Mr. WATKINS. The Packers and Stockyards Administration is an agency primarily responsible for the administration of the provisions of the Packers and Stockyards Act. Our mission is to assure fair business practices and a competitive marketing environment for the marketing of livestock, meat, and poultry.

PROGRAMS UNDER THE ACT

The programs are designed to guard against deceptive and fraudulent practices and provide payment protection and accurate weights in the marketing of livestock, meat, and poultry.

The agency's programs are primarily divided into two major program areas: livestock marketing, and meat and poultry. In these areas, the agency makes every effort to effectively respond to the changing conditions in the industry and to adapt to an ever-changing industry.

The agency has 12 regional offices throughout the country. These offices are generally staffed by around 12 to 15 employees. The

agency's fiscal year 1993 appropriation is \$11,996,000 with 191 staff years.

PAYMENT PROTECTION

One of the current activities in which the agency is involved is providing payment protection to livestock and poultry producers. It is particularly important to the stability of the farm economy that producers receive full payment when it is due.

During fiscal year 1992, 11 auction markets failed financially, owing \$576,000 for livestock; \$512,000 of that was subsequently recovered by bonds and other sources.

For livestock dealers, however, there is a different story. During the last fiscal year, 23 dealers and buyers failed, owing \$2.1 million for livestock, of which only \$608,000 was recovered, leaving \$1.5 million unpaid. Dealer failures continue to represent a significant amount of unrecovered losses in the livestock marketing chain.

PACKER TRUST

The packer trust provisions that were passed in 1976 have been a success in recovering losses by meat packers. During fiscal year 1992, livestock producers were paid \$2.7 million by 15 packers under the statutory trust provisions, bringing the total received by livestock producers to over \$44.3 million under the trust provisions since the Act was amended in 1976. In addition, producers received over \$260,000 from packer bonds in fiscal year 1992.

LIVESTOCK MARKETING

In addition to payment protection, the primary responsibilities under the agency's livestock marketing program are to ensure prompt and full payment to livestock producers and to prevent unfair trade practices and foster open competition by stockyards and market agencies and dealers.

PAYMENT PROTECTION

Because of the increasing concern about the integrity of custodial funds, the agency continues to emphasize frequent on-site audits of all custodial accounts of market agencies. This program helps identify market agencies that are misusing custodial funds and those that are short in the custodial account.

Three years ago, we implemented a custodial audit program designed to assure all custodial accounts are audited on a regular basis. Under the packer and poultry program, in addition to ensuring prompt and full payment for livestock and poultry producers, the programs are designed to foster open and free competition in the procurement of livestock by packers and to prevent noncompetitive practices in the marketing of meat and meat food products.

SCALES AND WEIGHING

In our scales and weighing program, the major emphasis of the agency's program is directed toward weighing investigations. During fiscal year 1992, 12 percent of the agency's 503 formal weighing investigations disclosed false or questionable weighing.

These cases have remained relatively constant over the past few years.

MEAT MARKETING

In the area of meat marketing, meat brokers, dealers, and distributors continue to receive our attention in investigations of illegal inducements and commercial bribery and illegal brokerage. Pay-offs to chain store meat buyers eliminate competition based on price, quality and services.

P&SA maintained regular contact with industry members to maintain leads on illegal conduct in the marketing of meat. The agency also works very closely with the FBI, the IRS, and the Postal Service in this area.

In the area of bait and switch selling, the agency works with State and local officials. This approach has resulted in fostering good working relationships with the States as well as preventing consumer losses.

MEAT PACKER CONCENTRATION

Meat packer concentration, feeding and forward contracting continues to be a matter of concern, especially among livestock producers. Concentration accelerated during 1987 and has continued since that time. The top 10 slaughterers in the country of steers and heifers during the year 1985 had merged into five by the end of 1987.

These developments, along with the moves on the part of meat packers to gain captive supplies through feeding and forward contracting have prompted the agency to review industry structure and market performance on a continuing basis.

A 1990 GAO study on meat packer concentration concluded that studies of market concentration in the beef packing industry did not lead GAO to draw any overall conclusions regarding the impact of market concentration on the prices being paid for steers and heifers. Nevertheless, future changes in market and industry conditions could result in meat packers enhancing their market power.

A recent GAO report on the Packers and Stockyards Administration noted that concentration in meat packing has increased in recent years, and marketing practices in the livestock industries have changed significantly with the decline of terminal markets.

GAO recommended that the Secretary of Agriculture determine a feasible and practical approach for monitoring activity in regional livestock markets. While we do not agree that defining regional markets as GAO suggested is necessary in order to monitor anti-competitive practices, we agree that given the structure of today's livestock and meat packing industries, effective monitoring for competition requires an expanded effort.

P&SA has taken steps to expand its role in dealing with any competitive issues that may be associated with concentration in the meat packing industry.

A sum of \$500,000 was included in P&SA's fiscal year 1992 appropriation to conduct a study and report on concentration in the red meat packing industry, with at least half the funds to be used to contract with the universities and other organizations.

An interagency working group was formed by the Packers and Stockyards Administration. This interagency working group included the Economic Research Service, the Agricultural Marketing Service, the National Agricultural Statistics Service, and the Office of General Counsel from the Department of Agriculture, plus the Federal Trade Commission, the Commodity Futures Trading Commission, and the Department of Justice to advise on all aspects of the study.

The Packers and Stockyards Administration solicited public comments on the study through a notice in the Federal Register. The agency reviewed the comments with the interagency working group, and developed a plan for completing the study. This plan was reviewed with congressional staff. In September of 1992, contracts totaling \$491,861 were awarded for six projects in the packer concentration study.

The contractors and subcontractors are located in Texas, Oklahoma, Iowa, Kansas, and Nebraska, Missouri and Virginia. The projects that will be defined are regional cattle procurement markets. We will assess the effects of market concentration on prices paid for cattle. We will examine buyers' pricing and procurement practices in cattle procurement. We will examine the extent and implications of vertical coordination in hog production. We will also conduct a thorough review of literature on competition in the meat packing industry. And we will examine the role of captive supplies in beef packing.

CARE AND HANDLING OF LIVESTOCK

Another issue that has recently come to our attention is the handling of non-ambulatory animals at stockyards. This has received considerable attention in the media. P&SA is currently investigating stockyards to determine whether their services, facilities and procedures for receiving and handling livestock are adequate.

Proper care and handling means stockyards must handle livestock in a manner that protects the quality and the value of animal.

CLEAR TITLE

I would also mention the agency has responsibility for administering the clear title provisions of Section 1324 of the Food Security Act of 1985. As of January 27 of 1993, 18 States have received certification of their central filing systems under these provisions.

AGENCY-WIDE INFORMATION MANAGEMENT SYSTEM

The Agency launched an effort two years ago to implement a wide area network of computer systems to tie all of our offices electronically together for communications and management support systems. We will continue this effort in 1994.

The main focus of the automation effort will be to make the agency more efficient and productive at monitoring the industries subject to the P&S act.

Mr. Chairman, we appreciate the opportunity to present this statement. We will be happy to respond to any question you or the members of the committee might have.

[CLERK'S NOTE.—The Acting Administrator's biography appears on page 568. Mr. Grinnell's biography appears on page 569. The Acting Administrator's prepared statement appears on pages 570 through 585. The budget justification received by the Committee on May 3, 1993 appear on pages 586 through 599.]

MEAT PACKER CONCENTRATION

Mr. DURBIN. I note in here that you were involved in this study ordered by the Appropriations Committee. It was part of the 1992 appropriations bill and you say you are planning the final summary report for late 1994. That is a little over three years. Did we say in that appropriation that there was a deadline on when this study would be completed?

Mr. WATKINS. In the report language, Mr. Chairman, there was no deadline. There was considerable discussion between—on the House committee and the Senate committee.

The House language, as I recall, stated that the appropriations would be given for a three-year study. I think in the Senate report language, it said that they commented that it did not—they didn't know if it should take three years, but there was no definite time period established.

Mr. DURBIN. We are in the process of trying to draw up a national health care reform plan in a hundred days. And I am wondering why it takes over three years to spend a half a million dollars to study this industry?

Mr. WATKINS. One of the reasons, to give you an example, is in the competitive bidding process, that takes some time. We were not able to award contracts to the competitive bidding process until September of 1992. We are now working with the contractors to arrive at data elements that are going to be needed, and then we will have to go into the field and obtain data for the contractors to use in their analysis.

We expect that will be done in fiscal year 1993, and their analysis will take place in 1994.

Mr. DURBIN. This drives me crazy. I can't believe it took a year to pick the universities, another year to go into the field, and another year to write it. That is frustrating for me. There must be much more to this than meets the eye when you are talking about a half million dollar study with contractors involved in some six or seven different States.

I don't get it. I miss this completely.

Mr. WATKINS. Mr. Chairman, I would also add we are in the process now—I can understand the frustration. We at times get frustrated ourselves. We are in the process now of preparing clearance documents for the Office of Management and Budget in order to obtain clearance for data collection.

This is under recordkeeping burden for the public, where it is mandated that a data collection process such as this, we must obtain clearance in order to go out and get—

Mr. DURBIN. I would like to ask you to do something. Just as a little project here, let's see what we can do. Why don't you go back when you finish here today and sit down with some of your friends and put down on paper what you think the timetable is and how

we might be able to get this thing moving. Come up with some dates much sooner than you are proposing here.

I see you are very careful to say that the report on the study is planned for late 1994. So you have covered yourself if it takes longer. But I would like to see if maybe working together we can show them we are going to reinvent government starting right here.

Mr. WATKINS. I would be happy to submit plans.

Mr. DURBIN. Let's see what we can do.

[The information follows:]

P&SA is pleased to discuss options for reducing the time required to complete the packer concentration study.

Our plans for the study are based on Congress' request that we address concentration issues that haven't been addressed before due to a lack of adequate data. Therefore, it contains plans to collect large amounts of detailed proprietary data. It also reflects contracting requirements, OMB clearance procedures for data collection, and the need to maintain P&SA's statutory confidentiality requirements when making data available to contractors.

After a thorough review of research plans for the study by an interagency working group, we determined that it would take at least three years to develop specific research plans, award contracts, collect data, conduct analyses and prepare technically-sound reports on the findings.

Fiscal year 1992 was devoted to selecting and defining specific research projects and negotiating contracts with researchers. Fiscal year 1993 will be needed to determine actual data needs, secure necessary clearances, and collect data. Data collection will be completed in Fiscal Year 1994. Data analyses and report preparation also will occur in Fiscal Year 1994. Six 2-year contracts were awarded in September 1992.

We have examined options for completing the study sooner, as requested, and have concluded that the only way to reduce time requirements significantly is to delete those portions of the study which will require collection of detailed data from beef packers. This could be accomplished by focusing our attention on a review of existing research literature and by trying to speed up work on one contract that will examine vertical coordination in hog production (which has relatively small data requirements).

The options are: (1) Cancel the contracts and restrict the study to a review of existing literature. A report could be completed within a year. (2) Complete the literature review specified in option 1 and possibly complete the contract for an analysis of vertical coordination in hog production since it does not require large amounts of data (the contract would have to be renegotiated). Options 1 or 2 would not address many of the concerns that have been raised about concentration in meat packing.

(3) Explore the possibility of cancelling the four contracts involving beef packers and use additional staff from other USDA agencies to complete these portions of the study (P&SA's budget is not sufficient to obtain this assistance from other USDA agencies). This option possibly could shorten the study by 2 to 3 months.

(4) Work with our contractors to find ways the tasks might be expedited, such as having the contractors do their computer analyses in Washington (to simplify confidentiality arrangements) and arranging for other agencies in USDA to assist in data collection, cleaning and analysis (this likely will require renegotiation of contracts and additional funds in Fiscal Year 1993 and Fiscal Year 1994). This option may save 3 to 4 months.

Our examination of options suggests that major time savings cannot be realized unless the scope of the study is significantly curtailed. We would be happy to discuss specific options with the members of the Subcommittee or its staff.

Mr. DURBIN. Can you tell us which universities or contracts have been agreed to so far, and what each of the contracts are specifically designed to look into?

Mr. WATKINS. Six contracts have been awarded. The topics, contractors and their collaborators are provided for the record.

[The information follows:]

1. Regional Cattle Procurement Markets. This project will examine and identify regional procurement markets for slaughter cattle within the continental United

States. The contract was awarded to Oklahoma State University with collaborators at Kansas State University and Iowa State University.

2. Effects of Concentration on Prices Paid for Slaughter Cattle. This project will consist of an empirical analysis of the effects that concentration in slaughter cattle procurement, and changes in concentration, have on slaughtering costs and prices paid for slaughter cattle. The contract was awarded to Virginia Tech.

3. Price Determination in Slaughter Cattle Procurement. This project will examine individual purchase transactions for slaughter cattle and appropriate supplemental information to identify common procurement patterns and practices in order to explain and/or predict purchase and pricing decisions of beef packers. The contract was awarded to Texas A&M.

4. Role of Captive Supplies in Beef Packing. This project will examine the use of captive supplies and captive supply arrangements by beef packers, and determine interrelationships between captive supplies and the structure, conduct, and performance of slaughter cattle markets. Captive supplies are cattle that packers own or contract to purchase before the animals are ready for slaughter. The contract was awarded to Oklahoma State University with collaborators at Kansas State University.

5. Vertical Coordination in Hog Production. This project will examine the economics of vertical integration and coordination arrangements in the hog-pork subsector and the implications of these linkages for future structure, conduct and performance in the hog slaughtering and processing industry. The contract was awarded to Professor Marvin Hayenga, and others, at Iowa State University with collaborators at the University of Missouri.

6. Literature Review. This project consists of a review and synthesis of pertinent research literature on structure, conduct and performance issues relating to the meat packing industry. The contract was awarded to the University of Nebraska.

Mr. DURBIN. As you may remember, the Committee was very interested in maintaining that protection and assurance of proprietary business information be safeguarded during the study. As you are working your way through the study and the contracts related to this study, how are you able to assure that proprietary information is maintained?

Mr. WATKINS. This is a major concern to the agency. We are committed to maintaining confidentiality of data, as requested by Congress in its appropriation for the study, even if the commitment conflicts with timely completion of the project. Specific plans for maintaining confidentiality of data obtained for the packer concentration study are still being developed.

Mr. DURBIN. Last year, with regard to the concentration study, it was suggested that you consider the impact of imported meats on the market. Mr. Rosendale suggested that, at that time, the area had not been written out of the study but was still under consideration. Is your packer study going to do anything related to imported meats, and how did you come by that decision?

Mr. WATKINS. The packer concentration study will not specifically examine the competitive impacts of imported meats. Funding limitations and the need to economize on the massive data requirements made it necessary to restrict the scope of the study. The study will focus primarily on the cattle slaughter industry since it has been identified as one of the high-priority areas and because data collected for the study can be used to address several important questions about competition.

PAYMENT PROTECTION

Mr. DURBIN. Another question I have relates to the failure of the dealer order buyers. As I understand it there is a trust fund to protect certain people in the industry, but not dealer/order buyers. Is that correct?

Mr. WATKINS. That is correct.

Mr. DURBIN. Do you think it is appropriate now in light of these failures and the losses to consider the expansion or the creation of a trust fund to cover the dealer/order buyers?

Mr. WATKINS. First of all, to clarify, the trust provisions for meat packers and poultry processors is a floating trust. These funds are not established ahead of time. It is only when the packer or the processor goes broke. At that time, all the liquid assets of that firm goes into the trust for the benefit of livestock producers, first claim.

In response to your question, I think it is time that we together look for a solution to help recover loss and help take care of the problems. At this point in time, I am not saying that the trust as established for meat packers or processors is the best answer, but it is certainly something that we should look at.

FINANCIAL PROTECTION

Mr. DURBIN. Last year, Mr. Rosendale testified that during fiscal year 1991, 3 auction markets failed, 16 dealer/order buyers failed, and 14 packers fell under the Statutory Trust Provisions. At that time he indicated that he believed that the reason for failure was lack of capitalization. As part of your efforts, are you looking at any studies or work that would relate to identifying what should be a reasonable amount of capitalization for these types of businesses? Is there a way for you to transfer any of this information to the industry?

Mr. WATKINS. Slaughter packers, live poultry dealers, livestock dealers and market agencies are required to file annual reports of operation, including financial statements, with the Agency. The financial statements are analyzed and various accounting ratios are computed for disclosure of financial weakness. The analysis is used as an indicator of a livestock or poultry purchaser's ability to pay in accordance with the payment requirements of the P&S Act.

To date no studies to identify what should be a reasonable amount of capitalization for the various types, sizes and locations of operations in the livestock and poultry industry have been made. While capitalization is an indicator of an operation's long-term viability, it is not necessarily an indicator of an operation's ability to pay current liabilities and continue operations. If the lack of capitalization results in losses from operations which cannot be recovered from future profits or which cannot be covered by additional capital from investors, then it is doomed a bankruptcy unless there is an orderly ceasing of operations to preserve existing assets. The Agency has authority to establish minimum requirements for livestock dealers and market agencies as a prerequisite for registration under the Act. Prospective registrants who appear to be weak financially have been required to have, at least, a one-to-one working capital ratio as an indication of the firm's ability to pay.

Mr. DURBIN. As an example, can you tell me that if you had 16 dealer/order buyers fail that owed \$3,000,000, but of which only half the money was recovered, how do you pay out to those individuals who are owed money? In other words, do some individuals re-

ceive 100 percent of what is owed them and others receive nothing, or is it doled out on a percentage of funds recovered?

Mr. WATKINS. Each dealer/order buyer is separately bonded based upon the preceding year's livestock purchase. Claims are filed by unpaid livestock sellers against the individual bond of the dealer/order buyer who failed to pay them. If claims exceed the penal amount of the bond, proceeds are distributed on a pro-rata basis. In fiscal year 1991, recovery by claimants paid by the bond or other sources averaged 22 percent. Recoveries ranged from a high of 100 percent to a low of three percent.

Mr. DURBIN. For fiscal year 1992, how many temporary restraining orders did you get against companies or individuals because of violations or problems you found through your audits?

Mr. WATKINS. Temporary restraining orders and preliminary injunctions were obtained against two individuals and one corporation.

STATUTORY TRUSTS

Mr. DURBIN. Can you describe for us in some detail how the Poultry Statutory Trust Provisions work and how the Livestock Statutory Trust Provisions work?

Mr. WATKINS. The Trust provisions of the Act provide payment protection to livestock and poultry sellers through the imposition of a statutory trust on packers and live poultry dealers who purchase livestock or poultry for slaughter. The trust takes effect at the moment of transfer of possession and attaches to inventory, receivables and proceeds derived from livestock or poultry purchased in cash sales or obtained by poultry growing arrangement when poultry is grown out under contract. To be subject to the trust provisions, packers must have annual livestock purchases in excess of \$500,000. Live poultry dealers must have annual poultry purchases or deliveries under growout valued in excess of \$100,000.

To qualify as a trust beneficiary, the seller must have sold on a cash basis and must have given notice to the packer or live poultry dealer and to P&SA within 30 days from the date payment is due. In the event of a dishonored check, notice is due 15 business days from the date that the check is returned.

If the agency learns of payment problems involving packers or live poultry dealers, they are contacted as soon as possible to determine the validity of the information received. They are also informed of the trust provisions and made aware of their fiduciary responsibilities as trustee. Arrangements are also made for immediate investigation of the complaint. Following investigation, unpaid sellers are notified of their rights under the trust provisions and are assisted in the filing of trust claims. Trust assets, proceeds on hand, accounts receivable and inventories are identified and documented to prevent dissipation by the packer or live poultry dealer. In the event there is a likelihood of irreparable harm to sellers, P&SA may seek a temporary restraining order or preliminary injunction to protect the trust assets.

The agency encourages the packer or live poultry dealer to recognize the priority of the trust and to informally make timely disbursement of the trust proceeds. P&SA does not have authority to

order pay out of the trust proceeds. The sellers may seek relief on their own behalf through the U.S. District Courts under section 308 of the Act.

Mr. DURBIN. For the record please provide a table showing the yearly amount of monies paid out under the Statutory Trust for Packers and Stockyards.

Mr. WATKINS. I will provide that information for the record.
[The information follows:]

Fiscal year	Packer trust amount paid	Poultry trust amount paid
1977	\$167,900	
1978	1,849,500	
1979	6,066,200	
1980	2,033,800	
1981	2,871,300	
1982	4,055,700	
1983	3,454,200	
1984	2,874,700	
1985	3,908,100	
1986	2,251,600	
1987	768,400	
1988	1,037,500	\$48,700
1989	1,167,800	38,200
1990	4,713,900	359,700
1991	4,366,100	469,900
1992	2,709,100	3,055,600

INVESTIGATIONS

Mr. DURBIN. Of all the cases handled by P&SA last year, how many of them went as far as the Administrative Law Judge for review and determinations? Did these fall mostly within red meat packers, stockyards or the poultry industry?

Mr. WATKINS. Many of the Agency's cases are handled informally. In fiscal year 1992, two cases were heard by administrative law judges. Respondents in both complaints were market agencies—auction markets.

WEIGHING INVESTIGATIONS

Mr. DURBIN. For the record please provide a five-year table showing the number of firms discovered from your investigations engaged in false weighing practices.

Mr. WATKINS. I will provide that information for the record.
[The information follows:]

WEIGHING INVESTIGATIONS

Year	Checkweighing and direct sale			Other ¹			Total		
	Inv.	Violations	Percent	Inv.	Violations	Percent	Inv.	Violations	Percent
1992	503	61	12	72	28	39	575	89	15
1991	453	59	13	113	31	27	566	90	16
1990	589	84	14	73	19	26	662	103	16
1989	481	68	14	115	43	37	596	111	19
1988	543	73	13	125	50	40	668	123	18

¹ Other investigations include record audits for weight manipulation and tests for accuracy of tare deductions on hot and cold carcass weights.

AUCTION MARKET FAILURES

Mr. DURBIN. For the record please provide a five-year table showing the number of auction market failures, the amount owed for livestock each year, and the amount recovered from bonds and other sources during each year.

Mr. WATKINS. I will provide that information for the record.
[The information follows:]

AUCTION MARKET FAILURES

Fiscal year	No. auction market failures	Total owed consignors	Recovery from bonds	Recovery from other sources	Percent total recovery
1988.....	6	\$275,702	\$233,373	\$5,089	86
1989.....	5	240,992	118,511	82,341	83
1990.....	5	820,664	239,748	135,228	46
1991.....	3	200,958	168,561	30,758	99
1992.....	11	567,927	¹ 457,367	55,528	90

¹ Includes \$165,775 in bond proceeds not yet paid to claimants by surety or trustee.

FINANCIAL FAILURES

Mr. DURBIN. Please provide a five-year table showing the number of dealer/order buyer failures. Include in the table the amount owed for livestock and the amount recovered to date in each of those fiscal years.

Mr. WATKINS. A table will be provided for the record.
[The information follows:]

DEALER/ORDER BUYER FINANCIAL FAILURES

Fiscal year	No. dealer failures	Total owed L/S sellers	Recovery from bonds	Recovery from other sources	Percent total recovery
1988.....	16	\$1,547,749	\$504,268	\$10,000	33
1989.....	16	1,508,308	197,086	647,986	56
1990.....	15	4,196,168	655,700	733,288	33
1991.....	16	2,723,204	449,174	158,700	22
1992.....	23	2,137,276	¹ 565,562	43,263	28

¹ Includes \$165,000 in bond proceeds not yet paid to claimants by surety or trustee.

MEAT PACKER CONCENTRATION

Mr. DURBIN. Please provide a chart that shows the four firm ratio for steer and heifer slaughter, boxed beef, sheep and lamb slaughter, and hog slaughter. Please provide a five-year basis for each of these areas.

Mr. WATKINS. A chart will be provided for the record.
[The information follows:]

FOUR-FIRM CONCENTRATION IN MEAT PACKING, REPORTING YEARS 1987-91

[Percentage share of total commercial slaughter]

Year	Steers and heifers	Box beef	Sheep and lambs	Hogs
1987.....	67	80	75	37
1988.....	70	79	77	34
1989.....	70	79	74	34
1990.....	72	79	70	40
1991 preliminary.....	73	N/A	77	42

Source: Packers and Stockyards Administration N/A denotes not available.

POULTRY CONCENTRATION

Mr. DURBIN. Also, we are well aware that the poultry industry has long been concentrated. Please provide us with a description of concentration in that area.

Mr. WATKINS. Concentration in the poultry industry has changed little since 1989. In 1989, the largest 4 firms processed 36 percent of the poultry in this country and the largest 10 firms processed 53 percent. In 1991, these numbers increased slightly to 38 and 55 percent. Broken down by species, the largest 4 chicken firms in 1989 processed 43 percent and the largest 10 processed 62 percent. These numbers decreased slightly in 1991 to 42 and 61 percent, respectively. Turkeys processed by the largest 4 firms in 1989 totaled 33 percent while the largest 10 firms processed 64 percent. By 1991, these numbers increased to 40 and 70 percent, respectively.

PACKER CONCENTRATION

Mr. DURBIN. As you have pointed out, certainly the single biggest area of concern related to Packers and Stockyards is the area of concentration. Last year, Mr. Rosendale stated that P&SA plans to expand its role in dealing with anti-competitive issues that may be associated with concentration in the industry. Can you give us some specifics on what you have done during fiscal year 1992 to address anti-competitiveness?

Mr. WATKINS. During fiscal year 1992, major regional procurement investigations were conducted in cattle, sheep and hogs. The individual transaction data of 13 major steer and heifer plants, in three geographic regions, was compiled and analyzed. Three similar regional procurement investigations of the hog slaughter industry were conducted at 12 plants. Also, three regional procurement investigations were conducted at four lamb slaughter plants. Special reports were obtained from the top 15 steer and heifer slaughter firms for calendar year 1991, detailing their use of captive supplies of livestock.

The Packers and Stockyards Administration has strengthened its analytical capacity to examine the implications of structural changes in the livestock, meat and poultry industries; to help design sophisticated monitoring techniques; and to assist in enforcement activities of the Agency.

P&SA has begun work on a major study of concentration in the red meat packing industry using funds provided by Congress for

this purpose. The agency will gain knowledge that will assist in enforcement activities and provide guidance for further analyses and data base development. Furthermore, data obtained for the study will add significantly to the agency's data base and be used to conduct additional analyses of firm behavior and market structure issues. This activity represents a very significant first step in expanding the agency's capability to address competitiveness issues.

CARE AND HANDLING OF LIVESTOCK

Mr. DURBIN. Last year, Mr. Rosendale indicated that the agency had implemented a surveillance program to review the services, facilities, and handling procedures of downed animals at stockyards. Describe for us exactly what you are doing related to downed animals. What have you found at stockyards? What compliance activities do you maintain for downed animals? In how many instances have you taken regulatory action against stockyards related to downed animal issues?

Mr. WATKINS. In May 1991, the agency began reviewing stockyards to determine if all livestock are handled and cared for in a reasonable and just manner. The reviews are continuing and it is expected that by the end of fiscal year 1993 all 1600 subject stockyards will have been reviewed. Problems with the care and handling of livestock have been found at less than 10% of the markets reviewed and those problems are being addressed. Problems found have generally been in livestock handling procedures and in facilities deficiencies.

Detailed investigations have been conducted at four stockyards where livestock care and handling practices were alleged to be either unjust or unreasonable. One of the investigations led to the issuance of an administrative complaint against a Texas stockyard. The stockyard consented to a cease and desist order in January, 1993. The other three stockyards were placed on written notice for the violations found. To date, 26 stockyards have been sent warning letters for violations dealing with livestock care and handling.

Mr. DURBIN. For the record please provide a table showing the actual amount of funds expended for fiscal years 1991, 1992, and 1993 for protection, livestock marketing, competition, conflict-of-interest, meat marketing, scales and weighing, drug residues, and poultry.

Mr. WATKINS. For the record, I will provide the requested information.

[The information follows:]

[Dollars in thousands]

	Fiscal Year		
	1991	1992	1993
Payment protection	\$2,997	\$3,024	\$3,009
Livestock marketing	575	658	612
Competition	832	872	751
Conflict-of-interest	233	244	219
Meat marketing	494	413	324
Scales and weighing	665	652	642

{Dollars in thousands}

	Fiscal Year		
	1991	1992	1993
Drug residues	30	4	4
Poultry	367	120	99

POULTRY PRODUCERS FINANCIAL PROTECTION ACT

Mr. DURBIN. Last year, Mr. Rosendale indicated that it would take an additional \$550,000 and 11 staff-years to fully implement the Poultry Producers Financial Protection Act. Is this still approximately correct?

Mr. WATKINS. This legislation amended the Packers and Stockyards Act to provide poultry producers "prompt payment" and "statutory trust" financial protection similar to that provided livestock producers under the Act. Funding for this program has been diverted from other program areas, primarily from the agency's poultry trade practice compliance program. In order to fully implement the financial protection program, while meeting our obligations in the area of unfair poultry trade practices, the agency will require additional funds and staff years in the approximate amount indicated last year.

SLAUGHTERING AND PROCESSING PACKERS

Mr. DURBIN. For the record please provide a ten-year table showing the number of slaughtering and processing packers subject to the Packers and Stockyards Act. Please break that table down into the number of bonded slaughtering packers, non-bonded slaughtering packers, and processing packers.

Mr. WATKINS. A table will be provided for the record.
[The information follows:]

SLAUGHTERERS AND PROCESSORS SUBJECT TO THE P&S ACT

Year	Bonded slaughter- ing firms ¹	Non-bonded slaughter- ing plants ²	Processing- only plants ³
1983	888	967	4,840
1984	797	958	4,847
1985	747	931	4,754
1986	691	892	4,807
1987	634	849	4,743
1988	638	807	4,645
1989	619	801	4,512
1990	574	721	4,402
1991	585	683	4,415
1992	561	626	4,352

¹ P&S Act requires firms with purchases of \$500,000 or more to be bonded and file annual report with P&S. Some firms with smaller volumes of purchases are also bonded and are included in this column.

² This column is the number of non-bonded federally-inspected slaughtering plants subject to P&S regulation that are not required to be bonded because they purchase less than \$500,000 of livestock per year. Includes slaughtering plants that also do processing. No data are available for these smaller non-federally inspected plants.

³ Plants conducting processing-only operations are not required to be bonded. Includes only federally-inspected plants. Similar data are not available for non-federally inspected plants.

Source: Packers and Stockyards Administration.

AGENCY RESOURCES

Mr. DURBIN. For the record please provide a ten-year table showing the amount of funds and manpower spent on the two major program areas.

Mr. WATKINS. I will provide this information for the record.

[The information follows:]

Fiscal year	Funds	Staff years
LIVESTOCK MARKETING DIVISION		
1983.....	\$4,770,400	99
1984.....	5,227,500	116
1985.....	5,380,800	112
1986.....	4,880,700	102
1987.....	4,917,700	105
1988.....	5,352,300	116
1989.....	5,256,000	106
1990.....	5,253,500	108
1991.....	5,695,700	104
1992.....	6,462,000	103
PACKER AND POULTRY DIVISION		
1983.....	\$4,063,600	84
1984.....	3,785,500	84
1985.....	3,739,200	78
1986.....	3,993,300	83
1987.....	4,075,000	81
1988.....	4,000,700	78
1989.....	4,254,000	77
1990.....	4,222,000	79
1991.....	4,980,000	86
1992.....	5,506,000	83

CLEAR TITLE

Mr. DURBIN. Please provide a list of the States that have been certified and that have security interest central filing systems approved for the Clear Title Act. Describe how the system works.

Mr. WATKINS. The Central filing systems certified by the U.S. Department of Agriculture as meeting the requirements of Section 1324 of the Food Security Act of 1985 include Alabama, Colorado, Idaho, Louisiana, Maine, Mississippi, Montana, Nebraska, New Hampshire, New Mexico, North Dakota, Oklahoma, Oregon, South Dakota, Utah, Vermont, West Virginia, and Wyoming.

The Clear Title provision provides that a buyer in the ordinary course of business shall take clear title to farm products, and a commission merchant and selling agent shall not be subject to security interests in farm products unless they have been officially notified of such security interests, either by direct written notice by the secured party or the seller, or through a central filing system established by a State.

To obtain certification of a central filing system, a State must submit a written request to the Packers and Stockyards Administration and include such documents as show that the system complies with the provisions of Section 1324. P&SA places a notice in the Federal Register to announce when a State's central filing system has been certified or modified.

To be certified, a central filing system must require that: Secured lenders file Effective Financing Statements; buyers, commission merchants and selling agents register; the State regularly distribute to the registrants written notice of security interests registered with the State; and the State furnish oral confirmation to non-registrants within 24 hours followed by written confirmation.

Mr. DURBIN. Of the funds available to you during fiscal year 1994, how much is anticipated to be spent on the Clear Title activities?

Mr. WATKINS. It is estimated that approximately the same amount that was spent in fiscal year 1993 will be spent in fiscal year 1994.

AGENCY-WIDE INFORMATION MANAGEMENT SYSTEM

Mr. DURBIN. We know that in the past couple of years P&SA has been implementing an Agency-wide information management system and that several of the 12 field offices had equipment installed and were brought into the area-wide network. Can you describe for us the status of this program and how much in funds has been expended to date? When do you expect to be fully implemented?

Mr. WATKINS. The basic computer hardware and network software is now installed in the Washington, D.C. office and in all 12 regional field offices. All offices have a local area network—LAN—installed and are connected through FTS2000 into a wide area network—WAN. The WAN is in the process of being enhanced by connecting to the outside computer resources that need to be accessed on a daily basis. These resources include the Department's Ungerman Bass broadband network, the APHIS Field Servicing Office in Minneapolis, the National Finance Center in New Orleans and the National Computer Center in Kansas City. Office automation tasks and network electronic mail are fully implemented.

The agency is in the process of integrating the existing database programs and in implementing additional program specific database applications. The existing Registration Module data base is being transported from a "Zilog" mini-computer to a networked 386 PC to enhance reliability and maintainability. The additional data base work is projected to take three more years at the current funding and staffing levels.

I will provide a table that shows the status of funds we have expended to date on the Agency-wide information management system.

[The information follows:]

	FY 1991	FY 1992	FY 1993 ¹	Total
Hardware	\$369,646	\$491,780	\$76,243	\$937,669
Software.....	96,433	95,800	154,107	346,340
Cabling.....	7,207	12,278	0	19,485
FY total	\$473,286	\$599,858	\$230,350	\$1,303,494

¹ Projected expenditures.

Mr. DURBIN. Thank you.

Mr. Skeen?

Mr. SKEEN. Thank you, Mr. Chairman.

AUCTION MARKET FAILURES

Mr. Watkins, I appreciate your comments on the insurance of producers on these auction market failures. You had, what, 16 of them in the last year?

Mr. WATKINS. I think it was 16, yes.

Mr. SKEEN. Do you red flag any of these operations when you see they are going belly up? How much advance warning do you give?

Mr. WATKINS. We do that, and we would like to think that unless we red flagged a considerable number of them and was able to get some correction of some of them ahead of time, that our losses would be greater than that.

Mr. SKEEN. Is that having diminishing effect on your operations? How widespread is that red-flag notice made?

Mr. WATKINS. Some of the firms that are operating in a serious financial condition, we are able to get to them before they go bankrupt, and cause damage to livestock producers. We do bring administrative cases against them and sometimes we will suspend them from operations for a period of time until they can get their financial house in order.

Mr. SKEEN. So you do an intensive follow-up procedure?

Mr. WATKINS. Yes, sir, we do.

Mr. SKEEN. Proactive as well as——

Mr. WATKINS. Yes, sir.

Mr. SKEEN. Very good.

MEAT PACKER CONCENTRATION

Let's go back to this business of the packer concentration study we were talking about with the Chairman. I, too, have an interest in it. I understand that you are contracting with a lot of universities.

Mr. WATKINS. That is correct.

Mr. SKEEN. What about the proprietary business information security? Is that a real problem in the study? Is that what is holding things up?

Mr. WATKINS. The proprietary information has certainly been a concern. There was a concern with the committees when they were discussing the appropriations. And that was also passed along in the report language concerning the confidentiality of information. It is a concern.

When we went out and requested bids with our proposals, we included in those proposals the concern on confidentiality.

We continue to be concerned about confidentiality, and we are taking the position that at all costs, the proprietary data of these firms must have the confidentiality maintained.

Mr. SKEEN. Did the universities sign an agreement to this effect?

Mr. WATKINS. The ones who are part of this study have signed a confidential agreement with us.

Mr. SKEEN. Do you contract with organizations other than universities?

Mr. WATKINS. All of the contracts that we let are with universities except one, and that is with a group of university professors, but not the university.

Mr. SKEEN. So there is always some university connection involved?

Mr. WATKINS. Yes, sir, that is correct.

CARE AND HANDLING OF LIVESTOCK

Mr. SKEEN. Let's go to the care and handling of livestock. We increased the budget last appropriations cycle to give your agency the benefit of some additional personnel. How is that working?

Mr. WATKINS. It is working real well, and we are—we expect to have completed a review of all the stockyards on their care and handling of livestock by the end of this fiscal year.

Mr. SKEEN. Will you promulgate new regulations in that regard?

Mr. WATKINS. No, we have not. We did issue a request in the Federal Register for comments on all of our regulations, including the regulations dealing—

Mr. SKEEN. Existing regulations?

Mr. WATKINS. Yes, sir. And we do have one existing regulation dealing with the care and handling of livestock. We have received over 1,200-and-something comments on that particular regulation. And we are currently looking at those comments, and in the process of reviewing all our regulations, we will have some proposals in the future coming out in the Federal Register.

Mr. SKEEN. Has your complaint level dropped off any?

Mr. WATKINS. On the care and handling of livestock?

Mr. SKEEN. Yes.

Mr. WATKINS. I would have to say that the complaint level has dropped off, and I would speculate that one of the reasons for that is that we did go out and request comments in the Federal Register for comments on our regulations, and we received a number of comments on our regulations.

Mr. SKEEN. Did you get most of these comments from individuals, or from associations?

Mr. WATKINS. Both.

Mr. SKEEN. Both?

Mr. WATKINS. The greater number are from individuals.

Mr. SKEEN. How much personnel increase do you have to take care of this problem?

Mr. WATKINS. I believe we increased about seven staff years.

Mr. SKEEN. Seven staff years?

Mr. WATKINS. Yes; six or seven. Yes, sir.

Mr. SKEEN. But the program is working.

Mr. WATKINS. Yes, sir, it is.

Mr. SKEEN. Thank you, Mr. Chairman.

Mr. DURBIN. Thank you.

Mr. Thornton?

Mr. THORNTON. Again, Mr. Chairman, I want to thank Mr. Skeen for bringing up a couple of lines of questions that I think are very appropriate.

MEAT PACKER CONCENTRATION

With regard to the concentration of meat packing—in the meat packing industry, is it your observation or thought that the dangers from such concentration are at the level of the packers which

are being reduced to a very small number, rather than with regard to the local stockyards or can you express a view on that?

Mr. WATKINS. Yes. The concentration in the meat packing industry would give the potential for dominant market power by meat packers rather than having an impact on the—

Mr. THORNTON. The local stock are not part of that problem?

Mr. WATKINS. That is right. You have had a situation in marketing of livestock over the past several years where more and more—as far as steer and heifer slaughters is concerned, they are being sold direct to packers anyway and not going through a local stockyard.

Mr. THORNTON. The reason I ask is just to reassure me. Back in the seventies, when I was on the Agriculture Committee, your agency began to issue rules based on the old law, basically making stockyard operations a public utility-type function, and regulating cost and operations. We passed, at that time, an amendment which lifted that regulation.

You all are not moving in that direction again, are you?

Mr. WATKINS. No, we are not.

Mr. THORNTON. Thank you.

CARE AND HANDLING OF LIVESTOCK

With regard to the local stockyards again, I have always thought that the danger of a bad impact on the environment or on the safety and fair treatment of animals lay in a financial interest; you know, kind of a conflict of interest situation in which someone would not provide proper care because of the cost.

What is your observation as to whether it is economically desirable for a stockyard to provide for the fair treatment of animals to the extent necessary to protect the quality and value of the animals? Is that not in their financial interest to do so?

Mr. WATKINS. It probably is in their financial interest to do so. Maybe not for that particular animal. But they do have a financial interest in there insofar as their business is concerned to work for their consigner, and that consigner has more coming to that livestock market than just the ones that are down.

Also we must recognize that downer livestock as such do not always—that is what we call them—they occur in some cases at the market. The livestock will go down at the market, maybe because of injury as opposed to illness or sickness.

Our efforts insofar as some of the reviews that we are making is to look at the conditions at the stockyards to help the stockyards work toward improving conditions so that these accidents will not happen where the livestock go down in the yards.

Mr. THORNTON. I really appreciate that answer, because the basic point is that it is in the financial interest of the stockyard to try and have an operation which is not hazardous, is it not?

Mr. WATKINS. Yes, it is in their interests to do so. They also—the stockyards are also in a situation where they do business based upon the consigners and the buyers that come to their market. And they are offering a service to the consigners, both in cases of non-ambulatory livestock as well as the healthy livestock. And they do offer that service and their business depends upon it.

Mr. THORNTON. So I suppose that the result of whatever rules you decide or whatever practices you decide are appropriate should be in the interests of that—of the animals as well as in the interest of the stockyards?

Mr. WATKINS. In promulgating rules, we will try to take the interests of all interested parties into consideration to come out with a fair and equitable rule.

Mr. THORNTON. Thank you, Mr. Chairman.

Mr. DURBIN. Mr. Peterson?

Mr. PETERSON. Thank you, Mr. Chairman.

PACKER FAILURES

The original trust was set up because you were having multiple failures in the packing industry, but with concentration, aren't the failures in the packing industry going away?

Mr. WATKINS. Number-wise, you probably have not as many packer failures overall, because there are many of the small packers and the less well-financed packers that have gone out of business. We still have a substantial number of failures. The difference today is that we have the packer trust operating, and today the livestock producer has first claim on the assets of that packer, and they get recovery.

Mr. PETERSON. I guess what I am getting to is that the concentration has one beneficial effect, does it not, in that those major four or five, six, whatever they are, aren't likely to go out of business and leave a producer stranded?

Mr. WATKINS. I personally wouldn't want to attribute the packers going out of business, those packers that are going out of business, I would not want to directly attribute it to concentration. There could be variable other factors involved as well, including the less efficient packers operating, likely, those are the ones that go out of business.

However, insofar as concentration is concerned, if you have a stable, large packer that may merge or buy out a smaller packer that is less financially capable, it can have a beneficial effect.

POULTRY CONCENTRATION

Mr. PETERSON. Since we have added the poultry aspect of this, have you seen any concentration in poultry? Does that exist as well? And is there a greater vulnerability in the poultry packing, which is really a major issue in my area? What is their financial condition? Are they having a problem like some of the smaller packers in the red meat industry?

POULTRY TRUST

Mr. WATKINS. I saw no impact insofar as the poultry trust provisions having an impact on poultry processors going out of business or coming in business. Insofar as poultry is concerned, the poultry industry has been integrated for a number of years. And there has been a substantial number of large players in the poultry industry for a number of years.

And I saw no direct relationship at all where the poultry trust provisions have had any impact on poultry processors going out of business or staying in business.

Mr. PETERSON. Are you, in your study, going to include poultry in the concentration considerations?

Mr. WATKINS. No, this is a red meat study, not poultry.

Mr. PETERSON. So you don't think the same problems exist in that market?

Mr. WATKINS. Not insofar as—the immediate concern is red meat because that is what has been taking place. Concentration in the red meat industry has been taking place since around 1987, so that has been the immediate concern.

MEAT PACKER CONCENTRATION

Mr. PETERSON. I noted in your statement that six pages out of sixteen were on this subject, concentration. Given the obvious emphasis that you are making here, I couldn't agree more with the Chairman that we are moving rather in place in regard to getting something done. Because next year you are going to come in bigger than life and you are going to have seven pages talking about the same issue, unless we get this thing kicked off.

So just complementing the Chairman, if this is the concern that you have expressed here, and you truly believe it to be the maximum concern of your report, then it seems to me that we have really got to get serious and put some rubber on the road in making the study complete.

I for one can't figure out what data here that you need that is so difficult to acquire. Where are the databases that you can't find the key to? You are not suggesting we are going to create more data? The data is already there, I would presume. We just have to find the locks and keys and get to it. Is that true?

Mr. WATKINS. It is true insofar as we are not creating data. We are going to obtain data that is already there. Where the data lies and where the database lies, it lies with the individual slaughtering packing plants. This is transactional data we must obtain. This is a labor-intensive effort in order to do that, because what we will have is people in the packing plants putting the data together and putting the data together in the computer where they obtained the data.

There will be some data transfer from some packers who are equipped to do that. Where we can utilize and save time electronically, we are going to do that.

We are going to make every effort, our concern, and we share your concern, we are going to make every effort to move as fast as we possibly can on this, and we certainly will be happy to work with you and have you work with us in terms of how we might move any quicker and any faster.

Mr. PETERSON. I think your agency is doing a good job overall. Since you obviously have a major concern within your agency on this issue, I think you need to push it forward, and I suspect that you are going to find every bit of cooperation you need to make that happen at this level.

So thank you, Mr. Chairman.

Mr. DURBIN. Thank you.

Mr. Myers?

Mr. MYERS. Thank you, Mr. Chairman.

FINANCIAL FAILURES

Is there anything that could be done by you to avoid some of the failures that we have had? Is there something we could do that might avoid some of the losses we have experienced?

Mr. WATKINS. The losses on the dealer order buying area of the marketing chain is something that we feel like we must look at to see what we can do to avoid these losses or to help recover these losses.

As I mentioned earlier, I think we together need to look at the possibility of what we might do, and a dealer trust is a possibility.

Now, at this point in time, like I said, I don't want to propose that. I don't want to advocate that at this point. I do think we need to look at it. We are currently reviewing our regulations. We are going to review the bonding level of these dealers and order buyers.

I will hasten to tell you that increasing the bonding level to the maximum point to where it would account for recovery of all of the losses is probably not the answer. But it is an area that we must look at.

Now, we do have programs in place now where we try to, as mentioned earlier, red flag these operations that are in trouble before they go out of business. We do—we are able to do that in a number of cases and we cut back on the losses.

Dealer and order buyer businesses are different from the market agency and the packing business because they can generally go into business on a very small amount of financing, because they are in the speculating business. And in speculation, they are dealing with that market today hoping to make a profit tomorrow.

Mr. MYERS. The ones that you have been able to suspend, what is the procedure? Do you have to go into court to get an injunction?

Mr. WATKINS. It is an administrative process and it is similar to an injunction because we get it through an administrative law judge, a cease-and-desist order, and they will be suspended until such time as their financial condition is improved.

We set the standards during the course of that hearing and that order as to what their financial condition must be before they go back in business.

Mr. MYERS. What kind of success rate do you have with the people you do suspend?

Mr. WATKINS. Insofar as those that we suspend because of their financial condition, we have a 100 percent successful rate there because we don't let them go back in business until their—

Mr. MYERS. How many of them go back into business, I guess is what I am asking? Do you keep any figures on that?

Mr. WATKINS. I am going to give you an estimate. I can submit for the record the exact number, but I am going to give an estimate that about 80 percent of them are able to go back in business.

FRAUDULENT PRACTICES

Mr. MYERS. How does your investigation into fraudulent practices overlap with that of the Office of the Inspector General? Is there a clear division of duty?

Mr. WATKINS. The Packers and Stockyards Administration is responsible for administering the Packers and Stockyards Act, including investigating such fraudulent practices as false weighing, weight and price manipulation, and misrepresentation of livestock as to origin or health.

The Office of the Inspector General has the responsibility of investigating fraud, waste and abuse within USDA as well as conducting criminal investigations for violations of statutes administered by USDA. Since P&SA's responsibilities are directly related to the Packers and Stockyards Act, there is a clear division of duty between both agencies.

CARE AND HANDLING OF LIVESTOCK

Mr. MYERS. You indicate that P&SA investigates all complaints received concerning the care and handling of livestock at stockyards. Do you find that most of these complaints are valid?

Mr. WATKINS. Most complaints filed with this Agency concerning the care and handling of livestock have had at least some basis for concern warranting investigation. While most stockyards provide adequate care and handling, we are finding practices at some stockyards which are unreasonable.

Mr. MYERS. Thank you.

Mr. DURBIN. Thank you.

Mr. Pastor?

Mr. PASTOR. Thank you, Mr. Chairman.

An issue that will increase and become more intensive is the issue of care and handling of livestock. I guess you are in the middle of developing some regulations. Once you develop the regulations, I think there is going to be a demand that you have more inspections, and once you find that the care and handling may not be according to regulations, people are going to want some enforcement.

Have you in your mind developed a program for this? I think the demand is going to be there in the future and it is probably starting right now. How do you see that end of your agency increasing, more personnel or more money dedicated to that?

Mr. WATKINS. Our program currently is to review all the stockyards to see what the problem is and the significance of the problem insofar as handling animals at stockyards. We expect to have that completed by the end of this fiscal year.

Based upon that information, we will make some determination as to what kind of regulations need to be adopted as well as the comments that we are getting, to handle this problem, and how the stockyards might be able to contribute to handling this problem.

We can better make an estimate of the program resources that are going to be required to make it continual, to continue a program that will accommodate this concern. We had \$650,000 to

make this initial review of the stockyards, and about seven staff years.

Now, in my opinion, once we are completed and finished with that and we do adopt standards or regulations, it will not take that much to continue the effort.

Mr. PASTOR. Because I see that—in my opinion animal rights groups are going to be probably focusing on this, and you are going to see more requests, more demands for more inspections and also for some form of enforcement. So I see it as probably an increasing demand.

Mr. WATKINS. We expect there to be some increase in demand for us to continue and so far as the stockyards are concerned, we will have a better idea of the resource requirements on that when we finish this year's work.

Mr. PASTOR. Thank you, Mr. Chairman.

Mr. DURBIN. Ms. Kaptur?

Ms. KAPTUR. Thank you, Mr. Chairman.

Mr. Watkins, I apologize for not being here for your full testimony, but I have read it, and I represent an area in northwest Ohio.

MEAT PACKER CONCENTRATION

On page 13 of your testimony, you talk a lot about the type of study that is being conducted now in the meat packing industry. I wanted to talk to you a little bit about the nature of the studies that you are doing.

Let me just tell you a little bit about my district. It was recently expanded, but we have in our district the last livestock auction barn where packing companies do come down and bid on animals. I went to my first auction where I was allowed to guess the weight of steers. I had never had that experience before.

I must say I was the only woman in the place.

Mr. SKEEN. What did you buy?

Ms. KAPTUR. One-thousand-two-hundred-and-fifty pounds. I had a very good time. I was treated very well.

We have one of these livestock auction barns left. We also have the Sandusky Meat Packing Company which is in northern Ohio, the only meat packing company remaining in the area. We also have many closed companies such as Dinner Bell Home Packing.

One of the reasons I am interested in the study you are doing, I look at the contracts and subcontracts that were let in Texas, Oklahoma, Iowa, Nebraska, Kansas, and Missouri, all fine States of the Union. I happen to represent an area that isn't mentioned, Ohio, and we get a little nervous. I personally have been trying to figure out why it is we have seen such a decline in the auction barns in our region, as well as the packing companies.

Now, we are always told they had to move west of the Mississippi. One of the farmers said, "You know, Marcy, the reason we lost our meat business is because the Saint Lawrence Seaway wasn't competitive." I said, "That doesn't sound right to me."

But we have a lot of cattle people and we have a lot of hogs. I am curious as to whether your study is being done in a way that would help me understand why my region may or may not be competitive

in terms of prices or facilities? We know we are not competitive in hogs to the same extent as North Carolina.

I am wondering, when you do your study, could you give any attention to an area like ours, which certainly has production capability, but over the years I am interested in knowing what really happened to us? What is the authoritative reason for the decline of the cattle industry in terms of price competition in our area if that, in fact, is what did it?

Could you tell me a little about the study that you are doing? I would like to help the Ohio Cattleman's Association get a little attention in these studies you are doing.

Mr. WATKINS. Ms. Kaptur, I would certainly hope that some of the aspects of the study that we are doing would give some insight to what is happening in particular areas of the country, insofar as the loss of packers and—meat packers, and the marketing conditions that exist in a particular area.

One of the areas we are going to be studying which we think will lend some insight into that, we will be defining regional procurement markets by these packers and the packing plants. And I think that will give some insight as to what is happening in certain areas of the country insofar as production costs and those things that might impact on how a small packer is able to compete in a particular area, and what they might do or what has caused them in the situation that they are in to go out of business because they are not able to compete anymore.

I certainly hope they will give some insight into that. I do not want to say to you or anyone else that we expect this study to be the answer to all questions. We will hope it will answer a number of questions.

Ms. KAPTUR. So the mere fact that we are not mentioned doesn't mean we will be ignored, then?

Mr. WATKINS. Not insofar as examining these regional procurement markets of packers.

Ms. KAPTUR. We had Green Bay Meat Packing come down and buy from our auction barn now. I really think we need to look east of the Mississippi as well. Certainly in our region of the country we have a lot of diversified farmers. We really would like to understand what are the reasons for the way the market has moved. We would be happy to work with you in any way that we could so that we get good data for our region also.

Mr. WATKINS. I understand your concern, and I do believe, as I said before, that this study will help give some insight to different areas of the country and what is happening in their areas.

Ms. KAPTUR. Could I also ask you, in your study, the four largest packers, I guess it was in beef, who control so much of the market here, let's say, sheep and lambs and also steers, heifers, and hogs, it looks like there is a four-firm concentration of about 42 percent of the market.

When you do your study, are you going to look at the concentration of the largest firms and the price competitiveness of the largest firms, but also do a sampling of the small firms and see how price competitive they are? Are you going to be comparing large and small?

Mr. WATKINS. First of all, I would say to you, Ms. Kaptur, that we are still working with the contractors on the methodology they are going to be using in the study. We are going to explore all aspects to get to the answer on meat, insofar as the impacts of competition as a result of this concentration and the methodologies of these are still being explored with the researchers.

Ms. KAPTUR. Your testimony doesn't mention it, but how many of these houses and yards are foreign-owned? Is there a foreign interest? Do you have any idea? Have you looked at that in the department? Is that part of your study?

Mr. WATKINS. I do not have an exact count, but I can tell you that just from my own personal knowledge, it is very few.

Ms. KAPTUR. Very few?

Mr. WATKINS. Very few. And insofar as auction market interests are concerned, I know of none. And insofar as meat packing interests are concerned, now, I am not talking about the public stock companies, because I don't know who the individual stockholders are in those companies. But there is a very limited foreign ownership in the meat packing industry that I am aware of.

Ms. KAPTUR. I would also appreciate in closing, your opinion on what has actually driven this concentration? Is it technology? I mean, is it access to capital? Just from your own gut instinct on what you have seen over years of service, what are the reasons for the concentration we have seen and the increasing concentration in all of these? Is it technology driven? Is it capital driven? What is it?

Mr. WATKINS. I think it is driven by economies of size, efficiencies in operations. That is the driving force behind the concentration. Now, as a result of going in that direction, you will find that more and more smaller packers are not able to compete.

Ms. KAPTUR. Will your study go into the cost accounting of that?

Mr. WATKINS. Yes.

Ms. KAPTUR. Good.

Mr. WATKINS. And they are not able to compete, and as they drop out, the concentration gets larger. It is not so much anymore that mergers and acquisitions are causing the concentration to increase. It is because there are fewer and fewer packers. So you have got a small denominator. So there are fewer and fewer packers. That increases the concentration ratio.

Ms. KAPTUR. Thank you, Mr. Chairman.

Mr. PASTOR. Will the gentlelady yield?

I was told recently by the Arizona Pork Council that we are anticipating in Arizona and in the Southwest an increase in the consumption of pork. And, the good news is, it is going to Utah, New Mexico and Arizona, most of it is coming from the Midwest. That was a trend at least we were informed about from our people in the Southwest.

Ms. KAPTUR. I am very interested to see that. That is why I don't want you to be forgotten. We have to speak up for our regions of the country.

When you say efficient, I watch my farmers. I watch how they work. I have never seen more efficient people, and back when we had that foreclosure crisis a few years ago and bankruptcy, our region of the country, we had the best record. They weren't loaned

up. We didn't have as many bankruptcies as other parts of the country.

The farmers in my region work hard and have good farm operations, they really do. Yet I see all of this moving around, and I want to help New Mexico, Arkansas, Arizona, Oklahoma, Indiana, Illinois and all the rest. But I am here to help Ohio, too.

Mr. SKEEN. Will the gentlelady yield?

The interesting thing about packers, particularly packing houses, is the profit margin. It is the most competitive business on this earth. And it has changed technologically, as you mentioned, through the years. Like Swift Packing Company is no longer Swift Packing Company. Armour, all of them are going, especially the smaller companies. But profit margin is extremely low, just as it is in agriculture. That is one of the big problems.

Mr. DURBIN. Thank you very much, Mr. Skeen and Ms. Kaptur. I thank you, Mr. Watkins, and the panel, for your testimony on behalf of the Packers and Stockyards Administration.

BIOGRAPHICAL SKETCH

CALVIN W. WATKINS

Calvin W. Watkins is currently the Acting Administrator of the Packers and Stockyards Administration (P&SA), U.S. Department of Agriculture. In this position, he has the overall responsibility of administering the provisions of the Packers and Stockyards Act, a Federal law regulating the business practices of those engaged in livestock, meat and poultry marketing. Prior to assuming the position of Acting Administrator, he held the position of Deputy Administrator with P&SA.

During his career, he served as Regional Supervisor in P&SA's California office where he was responsible for P&SA activities in California, Arizona, Nevada, and Hawaii. He came to Washington in 1976 as Branch Chief, Marketing Practices Branch in the Livestock Marketing Division.

Immediately prior to assuming the position as Deputy Administrator, he served as Assistant to the Administrator for 6 years.

Prior to his government service, Mr. Watkins was employed by the Ralston Purina Company.

BIOGRAPHICAL SKETCH

GERALD E. GRINNELL

Gerald E. Grinnell has been Director of the Industry Analysis Staff, Packers and Stockyards Administration, U.S. Department of Agriculture since 1990. In this position, he has responsibility for economic and statistical analyses relating to competitive structure and performance of the livestock, meat and poultry industries.

Mr. Grinnell was a policy analyst at the Department of Agriculture's Office of Energy from 1982 to 1990, where he was involved in a wide variety of energy matters relating to agriculture.

From 1974 to 1982, he conducted studies on the structure and competitive performance of the food wholesaling and retailing industries at the Economic Research Service, U.S. Department of Agriculture. He served on the faculty of the Economics Department at Morehead State University, Morehead, Kentucky from 1971 to 1974.

He holds BS in Agriculture and Ph.D. degrees from the University of Kentucky, majoring in Agricultural Economics.

PACKERS AND STOCKYARDS ADMINISTRATION
Statement of Calvin W. Watkins, Acting Administrator
before the Subcommittee on Agriculture, Rural Development,
Food and Drug Administration and Related Agencies

Mr. Chairman and Members of the Subcommittee:

I appreciate the opportunity to appear before the Subcommittee to discuss the programs of the Packers and Stockyards Administration (P&SA). I am accompanied today by two members of my staff, Gerald E. Grinnell, who is the Director of our Industry Analysis Staff, and William A. Ashley, who is the Agency's budget officer.

MISSION OF THE AGENCY

The Packers and Stockyards Administration is an Agency of the Department of Agriculture, with primary responsibility for administering the provisions of the Packers and Stockyards Act. Our mission is to assure fair business practices and competitive markets for livestock, meat, and poultry. The programs of the Agency are designed to foster fair and open competition, guard against deceptive and fraudulent practices, and provide payment protection in the marketing of livestock, meat, and poultry.

In addition to its responsibilities under the Packers and Stockyards Act (P&S Act), the Agency administers the Clear Title provisions contained in Section 1324 of the Food Security Act of 1985.

SCOPE OF OPERATIONS

The production and marketing of livestock, meat, and poultry are important to American agriculture and have a significant impact on the Nation's economy. In 1992, cash farm receipts of livestock and poultry were \$63 billion, approximately 37 percent of total receipts. The wholesale value of shipments by the red meat and poultry industries in 1992 has been estimated by the Department of Commerce to be approximately \$96 billion.

At the close of fiscal year 1992, there were 1,581 stockyards; 7,296 market agencies/dealers and 2,320 packer buyers registered with the Agency to engage in the livestock marketing business. There were also approximately 6,500 slaughtering and processing packers and an estimated 6,900 meat distributors, brokers, and dealers operating subject to the provisions of the P&S Act. Of the slaughtering packers, 561 were bonded. In addition, packers purchasing over \$500,000 worth of livestock were required to file annual reports with the Agency. There are an estimated 275 poultry firms subject to the P&S Act.

ORGANIZATION OF THE AGENCY

PROGRAMS UNDER THE P&S ACT

The Agency's programs are divided into two major program areas under the P&S Act: Livestock Marketing and Packer and Poultry. In these areas, the Agency makes every effort to effectively respond to changing conditions and adapt to an ever-changing industry.

The Agency has 12 regional offices located throughout the United States. These offices have 12 to 15 employees each and consist mainly of auditors, marketing specialists, scales and weighing specialists, and clerical support personnel.

The Agency's fiscal year 1993 appropriation is \$11,996,000 and 191 staff-years.

CURRENT ACTIVITIES

PAYMENT PROTECTION

One of the major concerns of the Agency is providing payment protection to livestock and poultry producers. It is particularly important to the stability of the farm economy that producers receive full payment when due.

To address this concern, the Agency continues to give special priority to the financial area. During fiscal year 1992, 11 auction markets failed financially owing \$567,000 for livestock, \$512,000 of which was subsequently recovered

from bonds and other sources. For livestock dealers and order buyers, there is a different story. During the last fiscal year, 23 dealers/order buyers failed owing \$2.1 million for livestock, of which only \$608,000 was recovered, leaving \$1.5 million unpaid. Dealer failures continue to represent a significant amount of unrecovered losses in the livestock marketing chain.

Producers must have assurances of prompt and full payment in the marketing of their products and a hope of a fair return in an open and competitive market place to make the long-term commitment and investment necessary for raising livestock and poultry.

The statutory trust provisions of the P&S Act have been very successful in recovering losses as a result of failures by meat packers and live poultry dealers. During fiscal year 1992, livestock producers were paid \$2.7 million by 15 packers under the statutory trust provisions, bringing the total received by livestock producers to over \$44.3 million under the trust provisions since the P&S Act was amended in 1976. In addition, producers received over \$260,000 from packer bonds in fiscal year 1992.

During fiscal year 1992, poultry producers were paid \$3.1 million by 2 poultry processors under the statutory trust provisions. Since the P&S Act was amended in 1987,

poultry producers have received over \$3.9 million under the poultry trust provisions.

LIVESTOCK MARKETING

The primary responsibilities under the Agency's livestock marketing programs are to ensure prompt and full payment to livestock producers, prevent unfair trade practices, and foster open competition by stockyards, market agencies, and dealers. The bonding, solvency and custodial account requirements are given top priority to provide maximum payment assurance to livestock producers.

Because of increasing concern about the integrity of custodial funds, the Agency continues to emphasize frequent on-site audits of all custodial accounts. This program helps identify market agencies that are misusing custodial funds and those that are short in the custodial account. Three years ago, we implemented a custodial audit program designed to assure all custodial accounts are audited on a regular basis.

In addition to the payment protection responsibilities, the livestock marketing program places a high priority on the investigation of fraudulent practices. Emphasis is given to investigation of false weighing, weight and price manipulation, switching of livestock, and misrepresentation of the source, origin, and health of livestock.

Competition in livestock marketing continues to be a matter of concern, since competition for livestock should be open and free of restrictions. Any practice, agreement, or understanding that excludes potential buyers from bidding in open competition is considered a restraint on competition. Examples of such practices include apportioning of territories, price agreements or arrangements not to compete, and payoffs or kickbacks to buyers. Information or complaints that indicate a possible restriction of competition are investigated on a priority basis.

PACKER AND POULTRY

The primary responsibilities of the packer and poultry program are to assure prompt and full payment to livestock and poultry producers, foster open and free competition in the procurement of livestock by packers, and prevent noncompetitive practices in the marketing of meat and meat products. High priority is given to assuring payment for livestock through bonding, solvency tests, and the packer trust, which has helped reduce losses to producers selling livestock on a cash basis to slaughtering packers. The poultry amendments to the Act give similar protection to poultry growers and producers through statutory trust and payment provisions.

The substantial statutory trust payments to poultry producers in fiscal year 1992 demonstrate the importance and effectiveness of this program.

SCALES AND WEIGHING

The major emphasis of the Agency's scales and weighing program continues to be directed to weighing investigations. Economic and competitive pressures on individuals and firms engaged in livestock marketing contribute to falsifying weights as a way to improve income. During fiscal year 1992, 12 percent of the Agency's 503 formal weighing investigations disclosed false or questionable weighing. The percentage of these cases has remained relatively constant for the past few years.

In addition to conducting weighing investigations, the Agency actively participates with the National Conference on Weights and Measures and the National Institute of Standards and Technology in the development of standards, specifications, and tolerances for livestock and carcass scales.

The Agency also develops training programs and provides instruction to State weights and measures officials, private scale testing companies, and scale users. During fiscal year 1992, the Agency's 4 formal scale testing workshops provided training for 38 weights and measures and industry personnel. Since this training began in fiscal year 1989,

14 formal scale testing workshops have provided training for 221 weights and measures and industry personnel.

MEAT MARKETING

Meat brokers, dealers and distributors continue to receive attention in the Agency's investigations of illegal inducements such as commercial bribery and illegal brokerage.

Payoffs to chainstore meat buyers eliminate competition based on price, quality and service. P&SA maintains regular contact with industry members to obtain leads on illegal conduct. The Agency also works closely with the FBI, the IRS, and the Postal Inspection Service. In the area of bait-and-switch selling, the Agency works with State and local officials. This approach has resulted in fostering good working relationships as well as preventing consumer losses.

MEAT PACKER CONCENTRATION AND CAPTIVE SUPPLIES

Meat packer concentration, feeding, and forward contracting continue to be a matter of concern, especially among livestock producers. Concentration accelerated during 1987 and has continued since that time. The top 10 slaughterers of steers and heifers during calendar year 1985 merged into 5 by the end of 1987.

These developments, along with the moves on the part of meat packers to gain captive supplies through feeding and forward contracting, have prompted the Agency to review industry structure and market performance on a continuing basis.

The four largest firms accounted for 73 percent of total commercial slaughter of steers and heifers in 1991 according to our preliminary data. In sheep and lambs, the four largest firms slaughtered 77 percent of the 1991 commercial slaughter. The four-firm concentration ratio for hog slaughter rose to 42 percent in 1991.

Under the Hart-Scott-Rodino Act, firms, including meat packers, are required to submit pre-merger notification information to the Department of Justice and the Federal Trade Commission. P&SA provides analyses, counsel, and information on industry structure, concentration, and other factors to the Department of Justice and the Federal Trade Commission concerning proposed mergers of meat packers.

At the present time, there is a lack of consensus among livestock producers for the need or advisability of any government involvement to alter the present concentration and integration trends. A 1990 GAO study on meat packer concentration concluded that empirical studies of market concentration in the beef packing industry did not lead GAO to draw any overall conclusions regarding the impact that market concentration had on prices packers paid for steers

and heifers in the 1980's. Industry analysts and experts interviewed during the study said that recent packer concentration had not lowered steer and heifer prices in the 1980's. Nevertheless, future changes in market and industry conditions could result in beef packers enhancing their market power.

A recent GAO report on the Packers and Stockyards Administration noted that concentration in meat packing has increased in recent years, and marketing practices in the livestock industries have changed significantly with the decline of terminal markets. GAO reported that higher concentration makes it easier for meat packers to engage in anticompetitive behavior and depress livestock prices. GAO concluded that livestock procurement markets are regional, and that additional information and analysis are needed to define and monitor competitiveness in the relevant markets. GAO recommended that the Secretary of Agriculture determine a feasible and practical approach for monitoring activity in regional livestock markets. While we do not agree that defining regional markets is necessary in order to monitor anticompetitive practices, we agree that given the structure of today's livestock and meat packing industries, effective monitoring for anticompetitive practices requires an expanded effort. For this reason, P&SA is taking steps to expand its role in dealing with any competitiveness issues that may be associated with concentration in the industry.

This includes the following in addition to its current activities:

- Establish an information base sufficient to define and analyze regional markets and/or to support action.
- Establish an information base sufficient to:
 - (1) predict with a reasonable degree of certainty the effect of industry changes and trends; and,
 - (2) strengthen public confidence in Agency opinions and positions on structure and performance.
- Conduct or coordinate investigative research about concentration/integration and/or industry structural change.

During the past year, the Packers and Stockyards Administration reviewed data needs relating to the goal of defining and analyzing regional cattle procurement markets, and examining vertical coordination arrangements in hog production. Industry structure and trends in the cattle and hog packing industries will be examined. The Agency currently is preparing plans to collect the data and conduct analyses. Work on the activity is being coordinated with researchers at universities which have contracts with the Agency to study concentration in the red meat packing industry.

We are enhancing our current monitoring activities. It has been this Agency's experience that the best way to deter involvement in activities that violate the P&S Act, including anticompetitive practices, is to be visible in the industry.

STUDY OF CONCENTRATION IN THE RED MEAT PACKING INDUSTRY

A sum of \$500,000 was included in P&SA's fiscal year 1992 appropriation to conduct a study and report on concentration in the red meat packing industry, with at least half the funds to be used to contract with universities and other organizations.

An interagency working group was formed including the Packers and Stockyards Administration as chair, the Economic Research Service, Agricultural Marketing Service, National Agricultural Statistics Service, and Office of the General Counsel in the Department of Agriculture plus the Federal Trade Commission, Commodity Futures Trading Commission, and Department of Justice to advise on all aspects of the study.

The Packers and Stockyards Administration solicited public comments on the study and such things as project selection and methodology through a notice in the Federal Register. The Agency reviewed the comments with the interagency working group and developed a plan for completing the study. The plan was reviewed with Congressional staff.

Contracts totaling \$491,861 were awarded for six projects in September 1992. The contracts are for 2 years. The contractors and subcontractors are located in Texas, Oklahoma, Iowa, Kansas, Nebraska, Missouri, and Virginia.

The projects will define regional cattle procurement markets, assess the effects of market concentration on prices paid for cattle, examine buyers' pricing and procurement practices in cattle procurement, examine the extent and implications of vertical coordination in hog production, conduct a thorough review of literature on competition in the meat packing industry, and examine the role of captive supplies in beef packing. Captive supplies refer to cattle that packers own or contract to purchase before the cattle are ready for slaughter.

The Agency is reviewing contractors' data needs and preparing data collection plans. Much of the data will be collected under P&SA's data collection authority, including its confidentiality restrictions. Data collection efforts and other work on the study will require a significant amount of Agency time in fiscal years 1993 and 1994. A final summary report on the study is planned for late 1994.

CARE AND HANDLING OF LIVESTOCK

Recently the handling of nonambulatory animals at stockyards has received considerable attention in the media. P&SA is currently investigating stockyards to determine

whether their services, facilities, and procedures for receiving and handling livestock are adequate. Proper care and handling means stockyards must handle livestock in a manner that protects the quality and value of the animal.

Under the provisions of the P&S Act, if it is found that the care and handling of livestock at a stockyard is in any way unjust, unreasonable, or discriminatory, then rules, regulations, and practices can be prescribed for the handling of such livestock to the extent necessary to protect the quality and value of the animal. The Agency has a regulation that requires stockyard owners and packers to exercise reasonable care and promptness when handling livestock to prevent shrinkage, injury, death, or other avoidable loss. P&SA investigates all complaints received concerning the care and handling of livestock at stockyards.

CLEAR TITLE

The Agency also has responsibility for administering the clear title provisions of Section 1324 of the Food Security Act of 1985. As of January 27, 1993, 18 States have received certification of their central filing systems under these provisions.

The Agency is continuing to review its procedures for carrying out its responsibilities for certification of central filing systems to determine whether it should be providing additional assistance to States operating the

systems or if previously certified systems should be reviewed.

AGENCYWIDE INFORMATION MANAGEMENT SYSTEMS

The Agency will continue the process of implementing a Wide Area Network (WAN) of computer systems during fiscal year 1994 to support information management systems. The basic WAN is in place throughout the Agency. The WAN is in the process of being enhanced by connecting to the outside computer resources that need to be accessed on a daily basis. These resources include the Department's Ungerman Bass broadband network, the Animal and Plant Health Inspection Service (APHIS) Field Servicing Office (FSO) in Minneapolis, the National Finance Center (NFC) in New Orleans and the National Computer Center (NCC) in Kansas City.

Present data base programs will be enhanced to provide greater access throughout the Department and Agency. Additional data base requirements are currently being analyzed for future development. The implementation of the WAN and the increased data base capabilities will establish a flexible computing base from which P&SA can keep pace with evolving computer technology and respond to a changing industry. The main focus of the automation effort will be to make the Agency more efficient and productive in monitoring the industries subject to the P&S Act.

CONCLUDING REMARKS

Mr. Chairman, we appreciate the opportunity to present this statement and welcome the opportunity to respond to any questions you and other members of the Subcommittee may wish to ask.

PACKERS AND STOCKYARDS ADMINISTRATION

Purpose Statement

The Packers and Stockyards Administration was reestablished by Secretary's Memorandum No. 1000-1, of June 17, 1981. The Agency administers the Packers and Stockyards Act of 1921, as amended, and carries out the Secretary's responsibilities under Section 1324 of the Food Security Act of 1985 covering "central filing systems" established by States for pre-notification of security interests against farm products. The Agency also has responsibility with respect to persons and firms subject to the Packers and Stockyards Act for the Truth-in-Lending Act, the Fair Credit Reporting Act and the Freedom of Information Act.

The principal purpose of the Packers and Stockyards Administration programs is to assure the integrity of the livestock, meat, and poultry markets and the market place. This includes fostering fair and open competition and guarding against deceptive and fraudulent practices which affect the movement and price of meat animals and the products therefrom. The work of the Agency is also aimed at protecting consumers and members of the livestock, meat and poultry industries against unfair business practices which can unduly affect meat and poultry distribution and prices.

The Food Security Act of 1985 permits the States to establish "central filing systems" for the purpose of pre-notifying buyers, commission merchants, and selling agents of security interests against "farm products". It is the responsibility of the Packers and Stockyards Administration to issue regulations and to certify those systems which meet the criteria set forth in the statute.

Headquarters of the Agency is located in Washington, D.C., with 12 regional offices located in Atlanta, Georgia; Bedford, Virginia; Denver, Colorado; Fort Worth, Texas; Indianapolis, Indiana; Kansas City, Kansas; Lancaster, Pennsylvania; Memphis, Tennessee; Omaha, Nebraska; Portland, Oregon; Sacramento, California; and South St. Paul, Minnesota. As of September 30, 1992, there were 182 full-time permanent and 2 other employees. Of the total, 50 full-time employees worked in the Headquarters office; 132 full-time employees and 2 other employees worked in the regional offices.

PACKERS AND STOCKYARDS ADMINISTRATION

Available Funds and Staff-Years1992 Actual and Estimated, 1993 and 1994

Item	1992		1993		1994	
	Actual		Estimated		Estimated	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
Packers and Stockyards Administration	\$12,009,000	186	\$11,996,000	191	\$12,203,000	191

PACKERS AND STOCKYARDS ADMINISTRATION
Permanent Positions by Grade and Staff-Year Summary
1992 Actual and Estimated 1993 and 1994

Grade	1992			1993			1994		
	Head- quarters	Field	Total	Head- quarters	Field	Total	Head- quarters	Field	Total
ES-6	1	--	1	1	--	1	1	--	1
ES-4	1	--	1	1	--	1	1	--	1
GS/GM-15	4	--	4	4	--	4	4	--	4
GS/GM-14	9	--	9	9	--	9	9	--	9
GS/GM-13	16	12	28	17	12	29	17	12	29
GS-12	4	43	47	4	42	46	4	43	47
GS-11	1	44	45	2	37	39	2	36	38
GS-10	1	--	1	1	--	1	1	--	1
GS-9	2	10	12	1	4	5	1	4	5
GS-8	--	--	--	--	--	--	--	--	--
GS-7	3	15	18	4	22	26	4	21	25
GS-6	7	10	17	3	6	9	3	6	9
GS-5	1	4	5	3	8	11	3	8	11
GS-4	0	3	3	--	8	8	--	9	9
GS-3	0	0	0	--	2	2	--	2	2
GS-2	--	--	--	--	--	--	--	--	--
Other Graded Positions.....	--	--	--	--	--	--	--	--	--
Ungraded Positions.....	--	--	--	--	--	--	--	--	--
Total Permanent Positions.....	50	141	191	50	141	191	50	141	191
Unfilled Positions:									
end-of-year....	0	-8	-8	--	--	--	--	--	--
Total, Permanent Employment, end-of-year....	50	133	183	--	--	--	--	--	--
Staff Years: Ceiling.....	49	137	186	50	141	191	50	141	191

PACKERS AND STOCKYARDS ADMINISTRATION

CLASSIFICATION BY OBJECTS1992 and Estimated 1993 and 1994

	<u>1992</u>	<u>1993</u>	<u>1994</u>
Personnel Compensation:			
Headquarters.....	\$2,459,000	\$2,484,240	\$2,540,010
Field.....	<u>5,018,000</u>	<u>5,043,760</u>	<u>5,156,990</u>
11 Total personnel compensation.....	7,477,000	7,528,000	7,697,000
12 Personnel benefits..	1,469,000	1,493,000	1,527,000
Total personnel comp. and benefits.....	<u>8,946,000</u>	<u>9,021,000</u>	<u>9,224,000</u>
Other Objects:			
21 Travel.....	635,000	620,000	652,000
22 Transportation of things.....	11,000	26,000	12,000
23.2 Rental payments to others.....	102,000	194,000	105,000
23.3 Communications, utilities, and misc. charges.....	335,000	442,000	344,000
24 Printing and reproduction.....	22,000	34,000	23,000
25.1 Consulting services.	5,000	5,000	5,000
25.2 Other services.....	1,132,000	901,000	1,038,000
26 Supplies and materials.....	197,000	79,000	202,000
31 Equipment.....	582,000	674,000	598,000
42 Insurance claims & Idemnity.....	1,000	--	--
Total other objects.....	<u>3,022,000</u>	<u>2,975,000</u>	<u>2,979,000</u>
Total direct obligations....	<u>11,968,000</u>	<u>11,996,000</u>	<u>12,203,000</u>
<u>Position Data:</u>			
Average Salary, ES positions.....	\$108,050	\$111,500	\$115,200
Average Salary, GM/GS positions.....	\$35,440	\$36,354	\$37,800
Average Grade, GM/GS positions.....	10.37	10.40	10.47

PACKERS AND STOCKYARDS ADMINISTRATION

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Packers and Stockyards Administration:

For necessary expenses for administration of the Packers and Stockyards Act, as authorized by law, and for certifying procedures used to protect purchasers of farm products, including field employment pursuant to section 706 (a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed \$5,000 for employment under 5 U.S.C. 3109, [\$11,996,000] \$12,203,000.

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SALARIES AND EXPENSES

Appropriations Act, 1993	\$11,996,000
Budget Estimate, 1994	<u>12,203,000</u>
Increase in Appropriation	<u>+207,000</u>

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

<u>Item of Change</u>	<u>1993 Estimated</u>	<u>Pay Costs</u>	<u>Other Changes</u>	<u>1994 Estimated</u>
Administration of the Packers and Stockyards Act.....	<u>\$11,996,000</u>	<u>+\$203,000</u>	<u>+\$4,000</u>	<u>\$12,203,000</u>

PROJECT STATEMENT
(On basis of appropriation)

	<u>1992 Actual</u>	<u>1993 Estimated</u>	<u>1994 Estimated</u>
	: Staff-:	: Staff-:	: Staff-:
	: Amount:	: Amount:	: Amount:
	: Years:	: Years:	: Years:
Administration	:	:	:
of the Packers	:	:	:
and Stockyards:	:	:	:
Act.....	\$11,968,059: 186	\$11,996,000: 191	\$12,203,000: 191
	:	:	:
Unobligated	:	:	:
balance.....	40,941: --	--: --	--: --
	:	:	:
Total	:	:	:
Appropriation:	\$12,009,000: 186	\$11,996,000: 191	\$12,203,000: 191

(1) See Justification of Increases and Decreases.

EXPLANATION OF PROGRAM

The Packers and Stockyards Administration (P&SA) administers the Packers and Stockyards Act (P&S Act) (7 U.S.C. 181-229). The Agency also carries out the Secretary's responsibilities under Section 1324 of the Food Security Act of 1985 covering "central filing systems" established by States for prenotification of security interests against farm products. In addition, the Agency administers the Truth-in-Lending Act (15 U.S.C. 1601 et seq); the Fair Credit Reporting Act (15 U.S.C. 1681 et seq); and the Freedom of Information Act (5 U.S.C. 552) as these statutes apply to persons and firms subject to the P&S Act. Agency programs are designed to assure the integrity of the livestock, meat and poultry markets and the marketplace. Other functions of the Agency include assuring prompt payment to producers for livestock and poultry, and assuring nondiscriminatory marketing charges and accurate weights. The Agency's programs also include protecting consumers from unfair business practices in the marketing of meat.

JUSTIFICATION OF INCREASES AND DECREASES

(1) A net increase of \$207,000 consisting of:

- (a)
- An increase of \$80,000 which reflects a 2.7 percent increase in non-salary costs.

Need for Change. These funds are necessary to offset increased operating costs. Continued absorption of these increased operating costs will severely affect the quality and quantity of our programs.

Nature of Change. This increase will be used to maintain a current level of services associated with inflation which will affect the critical parts of the program.

- (b)
- An increase of \$203,000 which reflects the annualization of the fiscal year 1993 pay raise.

- (c)
- A decrease of \$71,000 which reflects a 3 percent reduction in administrative expenses from the amount made available for fiscal year 1993 adjusted for inflation.

Need for Change. To promote the efficient use of resources for administrative purposes, in keeping with the President's Executive Order, total USDA baseline outlays for these activities will be reduced by 3 percent in FY 1994, 6 percent in FY 1995, 9 percent in FY 1996 and 14 percent in FY 1997.

Nature of Change. In order to achieve this savings, P&SA will carefully monitor travel, training, supply purchases, printing and reproduction costs and utility usage.

- (d)
- A decrease of \$5,000 for FIS 2000 funding.
- This decrease reflects lower long distance telecommunications prices due to price redeterminations in the FIS 2000 contracts.

	1992 <u>Actual</u>	1993 <u>Estimated</u>	1994 <u>Estimated</u>
Investigations	2,536	2,500	2,500
Market Agencies/Dealers Registered	9,616	9,600	9,600
Stockyards Posted	1,581	1,575	1,560
Slaughtering and Processing Packers Subject to the Act (estimated)	6,500	6,500	6,500
Distributors, Brokers, and Dealers Subject to the Act (estimated)	6,900	6,900	6,900
Poultry Operations Subject to the Act	275	275	275

The wholesale value of livestock, meat, and poultry products produced by firms subject to the Act was \$96 billion in fiscal year 1992.

The principal activities carried out in administering the Act are:

- Investigating trade practices of packers, market agencies, and dealers to detect fraudulent transactions and to guard against unfair trade practices detrimental to producers and the industry.
- Investigating packer meat merchandising and chain store buying in order to maintain prices established by fair and competitive marketing practices.

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- Investigating the financial condition and payment practices of market agencies, dealers, and packers subject to the Act to determine if they are financially sound and capable of meeting their obligations.
- Maintaining the integrity of the statutory trust for cash sellers of livestock and poultry.
- Surveillance of marketing at public markets and geographical area markets to foster and maintain fair and effective competition and avoid conflicts of interest.
- Obtaining adequate surety bonds from auction operators, commission firms, dealers, and packers (purchasing more than \$500,000 of livestock annually) to assure payment for livestock purchased.
- Investigating poultry marketing practices to identify and correct those which are injurious to producers and operators in the industry.

PACKERS AND STOCKYARDS ADMINISTRATION
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1992 and Estimated 1993 and 1994

	1992		1993		1994	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
California	\$ 523,668	11	\$ 526,692	11	\$ 535,781	11
Colorado	489,870	10	492,699	10	501,201	10
District of Columbia ..	4,984,602	49	5,013,391	50	5,099,898	50
Georgia	589,416	12	592,820	12	603,050	12
Indiana	672,819	14	676,705	14	688,382	14
Kansas	611,724	13	615,257	13	625,874	13
Minnesota	551,058	11	554,240	12	563,804	12
Nebraska	606,551	11	610,054	12	620,581	12
Oregon	565,396	11	568,661	11	578,474	11
Pennsylvania	613,865	12	617,410	13	628,064	13
Tennessee	625,652	12	629,265	12	640,124	12
Texas	567,660	11	570,938	11	580,790	11
Virginia	524,837	9	527,868	10	536,977	10
Subtotal, Available or Estimate	11,927,118	186	11,996,000	191	12,203,000	191
Unobligated balance	40,941	--	--	--	--	--
Total, Available or Estimate	11,968,059	186	11,996,000	191	12,203,000	191

PACKERS AND STOCKYARDS ADMINISTRATION

STATUS OF PROGRAM

Current Activities: The Packers and Stockyards (P&S) Act of 1921 (7 U.S.C 181-229) is administered to assure free and open competition, fair trade practices, and financial protection to the livestock, meat, and poultry industries. The objectives of the P&S Act are to protect producers, consumers, and competitors against unfair, deceptive, or discriminatory practices as well as those that are predatory or monopolistic in nature. The Agency also carries out the Secretary's responsibilities under Section 1324 of the Food Security Act of 1985 covering "central filing systems" established by States for prenotification of security interests against farm products. Specific areas to which efforts are now being directed are:

1. Payment Protection: It is very important that livestock producers receive payment for the livestock they market. Accordingly, the area of payment protection will continue to receive high priority in work planning and allocation of Agency resources. Particular emphasis will be placed on prompt payment, financial frauds, and material insolvencies. The Agency will continue to investigate failure to pay for meat and poultry and remain actively involved in statutory trust matters and bonding activities.
2. Custodial Account Audit Program: The Agency will continue its emphasis on custodial account investigations as a means of payment protection for consignors of livestock. A program has been implemented which will assure each custodial account is examined on at least a 3-year frequency.
3. Livestock Marketing: Fraudulent marketing practices such as false weighing, weight and price manipulation, and misrepresentation of livestock as to origin and health continue to be problems within the industry. Emphasis is given to investigating these practices when complaints are received or when they become evident during other investigations.

Competition for livestock, either in direct trading or at public markets, should be open and free of restrictions. Any practice, agreement, or understanding which excludes potential buyers from bidding in open competition would be considered a restraint on competition. Practices which result in the lessening of competition for producers' livestock include apportioning of territories, price agreements or arrangements not to compete, and payoffs or kickbacks to buyers. Therefore, any information which indicates a possible restriction of competition is investigated on a priority basis.

4. Competition: One of the major responsibilities under the Act is to assure that a fair competitive marketing system exists. The Agency continually monitors the packing industry for unfair practices, and in cooperation with the Justice Department, Antitrust Division, acts to fulfill its responsibilities with regard to concentration and potential competitive restrictions.
5. Meat Marketing: The Agency continues to place emphasis on commercial bribery in the wholesale meat industry, particularly on investigations of meat brokers, since approximately 60 percent of the Agency's formal bribery actions involve brokers. When bribes are present, retail chainstore meat buyers base buying decisions on the amount of the bribe rather than price, quality and service, thereby eliminating fair and open competition.

Bait-and-switch freezer meat operators continue to be a concern to the Agency. The Agency's policy of referring complaints to state and local authorities, and working with them during the investigative stages, continues to be a satisfactory arrangement.

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6. Scales and Weighing: The Agency's mission in this area of responsibility is directed toward two different elements which affect the integrity of subject transactions. These two elements are: (1) the accuracy of the scales used for weighing livestock, meat, and poultry; and, (2) the proper and honest operation of scales to assure that the weight on which a transaction is based is accurate and honest.

The major emphasis of the Agency in this program area is directed toward the detection of improper and fraudulent use of subject scales. This is an investigative program employing the use of several different types of procedures to determine if weighing activity is proper and honest. Investigative procedures and frequencies are changed, as necessary, to relate to different or changing marketing methods and conditions.

Assuring the accuracy of subject scales does not require as great an expenditure of Agency resources as does the investigative program. Required tests of subject scales are performed, in most cases, not by Agency personnel, but by State and private testing agencies.

The Packers and Stockyards Administration monitors this testing by analyzing required reports of tests of subject scales. In order for a scale test to accurately reflect the condition of a scale, the test applied must be correct and sufficient to develop the operating characteristics of the scale under normal conditions of use. Such a test must be fairly comprehensive and carefully controlled. The Agency, as a means of assuring that tests performed on subject scales are proper and complete, is an active participant in a national training program sponsored by the National Conference on Weights and Measures and administered by the National Institute of Standards and Technology. The Agency also participates in the development of curricula for technical training schools and in the conduct of those training schools across the country.

7. Drug Residues: The Agency is continuing to work with other Federal agencies in a cooperative effort to control the marketing of livestock treated with antibiotics and sulfa drugs. The Agency participates in monthly meetings of an Interagency Residue Control Group, along with representatives of the Food and Drug Administration and Food Safety and Inspection Service to foster and maintain cooperation on this important issue.
8. Poultry: Well over 90 percent of all poultry produced in the country are raised under some form of growing arrangement. The Packers and Stockyards Administration strives to ensure that contracted poultry growers are treated fairly and in a nondiscriminatory manner. Settlement was reached in an action against a poultry integrator that unfairly terminated a poultry growout contract. Under the settlement, which is enforceable in contempt proceedings in federal district court, the integrator agreed to reinstate the growout contract and not subject any growers to any unfair, unjustly discriminatory, or deceptive practices. Specifically, the integrator agreed not to terminate any grower because of the grower's affiliation with a growers' association or because the grower seeks redress of his grievances.
9. Care and Handling of Livestock: Under the provisions of the P&S Act, the Agency has jurisdiction over the marketing of livestock at stockyards. If it is found that the care and handling of livestock at a stockyard is in any way unjust, unreasonable, or discriminatory, then rules, regulations, and practices can be prescribed for the handling of such livestock to the extent necessary to protect the quality and value of the animal. The Agency already has adopted a

regulation which requires stockyard owners and packers to exercise reasonable care and promptness with respect to handling livestock to prevent shrinkage, injury, death, or other avoidable loss. The Agency also has a surveillance program to review the handling practices, services, and facilities at stockyards.

SELECTED EXAMPLES OF RECENT PROGRESS

1. Payment Protection: The P&S Act provides comprehensive financial protection to cash sellers of livestock to packers. The Agency program to carry out these provisions and activities to prevent losses to livestock sellers received top priority. Annual reports of packers are analyzed with insolvent packers required to improve their working capital either by adding current assets and/or reducing current liabilities. During fiscal year 1992 insolvent packers improved their working capital by \$4.2 million.

During fiscal year 1992, 161 insolvent dealers and market agencies improved their working capital by \$12.1 million.
2. Custodial Accounts: During fiscal year 1992, compliance audits were conducted on 536 custodial accounts which disclosed that 182 markets had shortages in their custodial accounts totaling \$5.6 million. As a result of the audit program, 155 markets restored \$4.6 million.
3. Packer Trust: Since the 1976 amendments to the P&S Act, cash sellers of livestock have been paid \$44.3 million under the statutory trust provision. During fiscal year 1992, 15 packer firms paid out \$2.7 million. Twenty-one packer trust investigations were conducted during fiscal year 1992.
4. Live Poultry Trust: A statutory trust provision offering protection to live poultry growers and sellers became effective in February of 1988. Since then, the Agency has investigated 20 poultry failures, with eleven resulting in payments totalling \$3,972,060.
5. Clear Title: During fiscal year 1986 regulations were issued to implement Section 1324 of the Food Security Act of 1985 covering "central filing systems" established by States for prenotification of security interests against farm products. As of October 31, 1992, 18 States applied for and received certification of their central filing systems.
6. Financial Frauds: Agency personnel assisted the FBI in an investigation of the largest agriculture fraud case in the history of the State of Alabama, which resulted in guilty pleas of conspiracy, mail, and wire fraud by a livestock dealer, his son, and five employees. One other case was referred to the U.S. Attorney in Alabama alleging a fraudulent check kiting scheme involving three livestock dealers. P&SA employees have provided assistance to a Texas District Attorney in an investigation of a livestock dealer for alleged theft of livestock by NSF check. Temporary restraining orders and preliminary injunctions were obtained against three livestock auction markets in Texas, Kansas, and California for alleged misuse of custodial account trust funds for their own purposes.
7. Frauds in Livestock Marketing: Violations of the Act involving undisclosed arbitrary increase in weights and prices is a recurring problem in livestock marketing transactions. One investigation disclosed a conspiracy between two Oregon dealers and an auction market to repurchase their own consigned livestock to place on their principals order. The undisclosed profit was shared among the three participants. A Texas order buyer

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purchased livestock in various names at a Texas stockyard. After the sale, the order buyer requested the stockyards to prepare new invoices showing the livestock was purchased at the stockyard for a packer principal at an inflated price.

In another case investigated during fiscal year 1992, a Tennessee dealer increased the purchase weight of 1,255 head of cattle sold to his principals by 18,380 pounds.

8. Commercial Bribery: Numerous merchandising investigations were conducted nationwide during fiscal year 1992 which included reviewing records for bribery. No formal actions were taken.
9. Competition: The Agency has expanded its monitoring activities of the procurement practices of slaughtering packers. During fiscal year 1992, major regional procurement investigations were conducted in each of the three major species. The individual transaction data of 13 major steer and heifer plants, in three geographic regions, were compiled and analyzed. The data from these plants represented 20,303 transactions and 2,560,693 head. Three similar regional procurement investigations of the hog slaughter industry were conducted at 12 plants. This data represented 167,311 transactions and 7,243,160 head. Also, three regional procurement investigations were conducted at four lamb slaughter plants that collectively slaughtered 2,864,772 head. Special reports were obtained from the top 15 steer and heifer slaughter firms for calendar year 1991, detailing their use of captive supplies of livestock.
10. Scales and Weighing Activities: A total of 502 livestock weighing investigations were conducted in fiscal year 1992. About 12 percent of the investigations disclosed false weighing. More than 16,000 head of livestock were checkweighed by Agency personnel in these investigations.

The Agency conducted 2 training schools for State and local weights and measures officials from five States. A total of 24 individuals attended these schools conducted as part of the National Training Program. Since the inception of this National Training Program in 1988, the Agency has conducted 12 training schools for 209 officials from 26 States. More of these schools are planned for fiscal year 1993 and beyond.

11. Packer Bonding: All packers purchasing in excess of \$500,000 worth of livestock annually must be bonded.

Packer Bonding Activity

Value of bonds (\$ in millions)	311.7
Number of packers bonded 9/30/92	561
Number of packer bonds called on in fiscal year 1992	16
Value of packer bonds called on (\$ in thousands)	1,115

During fiscal year 1992, 2.9 percent of the packer bonds had claims filed for nonpayment of livestock. The value of bonds called on represents .4 percent of the total bond coverage value.

For fiscal years 1982 through 1992, the average yearly bond claims paid represent less than two-tenths of one percent of the average yearly bond coverage. This is primarily due to the success of the statutory trust provision.

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12. Registration: The Act and regulations require that each market agency and dealer operating in commerce be registered. To comply, a firm must file an application simultaneously with a surety bond or its equivalent.

Registration/Bonding Activity

Market agencies/dealers registered and bonded	7,186
Value of registrants' bonds (\$ in millions)	269.3
Packer buyers - registered only	2,320

During fiscal year 1992, 578 claimants were paid \$1.1 million from bond proceeds of dealers and market agencies who failed financially.

13. Care and Handling of Livestock: The handling of downed animals at stockyards has received considerable media attention. In order to address this issue, the agency has initiated a surveillance program to review the handling practices, services, and facilities at stockyards to assure livestock are being handled and cared for properly. At the close of fiscal year 1992, the Agency had completed 597 stockyard reviews, one of which resulted in an administrative complaint against a Texas stockyard for allegedly engaging in an unreasonable practice in the unloading of a disabled cow at the stockyards.
14. Captive Supplies Examined: Livestock producers have expressed concerns that captive supplies may reduce prices paid for fed steers and heifers. Captive supplies are cattle that packers own or contract to purchase before the animals are ready for slaughter. The Agency has contracted for a study of the role of captive supplies in beef packing to be conducted in fiscal years 1993 and 1994.
15. Reparations: During the fiscal year 1992, three complainants received favorable decisions on their reparation complaints. A Colorado auction market was ordered to pay a Colorado sheep producer \$1,863.60 for misrepresenting 64 head of bred ewes. The ewes were guaranteed bred, but only about 50 percent lambed. A Virginia auction market was awarded \$10,604.81 from a Kentucky dealer who issued an NSF check for livestock purchased from the market. In another case, a Montana cattle feeder was awarded \$19,721.51 from an Iowa market agency. In this case, the Presiding Officer ruled the Iowa market agency purchased the livestock from the Montana cattle feeder at a set price and not on a grade and yield basis as maintained by the Iowa market agency.
16. Packer Concentration Study: Congress appropriated \$500,000 to the Agency in fiscal year 1992 to study concentration in the red meat packing industry. The project will increase the Agency's understanding of concentration and structural change in the livestock and meat industries, and assist in the Agency's enforcement activities. Research topics include: Determine regional cattle procurement markets; examine the effects of concentration on prices paid for slaughter cattle; examine how cattle prices are determined; assess the role of captive supplies in beef packing; examine the implications of vertical coordination in hog production; evaluate hog procurement in the Eastern Corn Belt; and conduct a thorough livestock literature review.

During fiscal year 1992, the Agency solicited public views on what are the most pressing research topics; formed an interagency working group, including the Economic Research Service, the National Agricultural Statistics Service, the Agricultural Marketing Service, and the Office of the General Counsel in USDA, plus the Federal Trade Commission, the Commodity Futures Trading Commission, and the Department of Justice to advise on technical and other aspects of the study; and awarded contracts totaling \$491,861 for six research projects and presently is preparing data collection plans and implementing the contracts. Data collection will occur in 1993 and most analyses will be done in 1994. A final summary report and contractors' reports are scheduled for release late in 1994.

WEDNESDAY, MARCH 17, 1993.

FOOD SAFETY AND INSPECTION SERVICE

WITNESSES

H. RUSSELL CROSS, ADMINISTRATOR, FOOD SAFETY AND INSPECTION SERVICE

DONALD WHITE, ASSOCIATE ADMINISTRATOR, FOOD SAFETY AND INSPECTION SERVICE

JILL HOLLINGSWORTH, ASSISTANT TO THE ADMINISTRATOR, FOOD SAFETY AND INSPECTION SERVICE

WILLIAM J. HUDNALL, DEPUTY ADMINISTRATOR, ADMINISTRATIVE MANAGEMENT, FOOD SAFETY AND INSPECTION SERVICE

WILLIAM L. WEST, DIRECTOR, BUDGET AND FINANCE DIVISION, FOOD SAFETY AND INSPECTION SERVICE

MARK MANIS, DIRECTOR IMPORT INSPECTION DIVISION

ANN MARIE McNAMARA, DIRECTOR MICROBIOLOGY DIVISION

WILSON S. HORNE, DEPUTY ADMINISTRATOR, INSPECTION OPERATION

STEPHEN B. DEWHURST, BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

OPENING REMARKS

Mr. DURBIN. Good morning. Welcome to the Subcommittee of Appropriations on Agriculture, Rural Development, Food and Drug Administration and Related Agencies.

This morning we are joined by representatives from the Food Safety and Inspection Service. We are glad to have with us today, Dr. Russell Cross, the Administrator; Donald White, the Associate Administrator; Jill Hollingsworth, the Assistant to the Administrator; William Hudnall, the Deputy Administrator; William West, the Director of the Budget and Finance Division; and of course Steve Dewhurst. Thank you for joining us this morning.

We have your statement which we will put in the record in its entirety. If you would like to highlight or summarize it, please proceed.

AGENCY OVERVIEW

Dr. CROSS. Thank you, Mr. Chairman and Members of the Subcommittee. I am very pleased to have the opportunity this morning to discuss the programs and the issues of the Food Safety Inspection Service.

FSIS carries out its inspection responsibilities under the authority of the Federal Meat Inspection Act and the Poultry Products Inspection Act.

It is the mission of this agency to be sure that meat and poultry products are safe, wholesome, and accurately labeled. These laws require us to inspect live animals just prior to slaughter and each

carcass after slaughter, and maintain continuous inspection of the further processing of meat and poultry products.

The agency currently employs approximately 7,400 food inspectors and veterinarians located throughout the United States. These inspectors ensure product safety in over 6,400 meat and poultry plants that are under Federal inspection.

During the past fiscal year, our field inspectors examined 127 million red meat animals, 6.9 billion birds, and monitored the processing of 74 billion pounds of meat and poultry.

TWO-TRACK APPROACH TO INSPECTION SYSTEM

The first area, which you have probably heard about, involves a two-track approach to modernize our meat and poultry inspection system.

FSIS has developed and proposed to Secretary Espy a two-track approach to inspection and reform.

The Track I process will involve proposed changes to the existing program that would maximize the use of our resources and knowledge within the confines of the current system.

In other words, Mr. Chairman, we have tried the evolutionary approach to modernize our current inspection; and we know that we now need to move to a revolutionary approach. In doing that in a two-track approach, we want to make sure that we are maximizing the current system while at the same time moving forward in the revolutionary modernization.

The Track II process will generate creative ideas for the kind of regulatory and inspection system that the country will need in the next century. FSIS intends to proceed with the planning and implementation on separate tracks. And we have tentative plans to have a series of hearings beginning in Washington and throughout the country in the next two to three months to seek public input on these approaches.

The E. coli outbreak in the state of Washington has served to underscore the need to accelerate the program of change, particularly in relation to pathogens. Secretary Espy has endorsed an Agency Pathogen Reduction Program. The plan includes elements of improvements in the current program in Track I and elements that will lay the groundwork for the future in Track II.

As I mentioned, Track I focuses on maximizing the performance of our current meat and poultry system. Our Track I planning is currently centered around six elements.

Briefly, the first element is public ownership. That means actively involving all our constituents, including employees.

The second way would be to ensure that agency staff and structure are aligned so that they can be fully utilized.

As we discuss staffing, I recognize that there will be those that wish to debate whether or not we need the additional 160 inspectors President Clinton has proposed to be funded immediately in the economic stimulus package. With all the discussion that has recently focused on pathogenic organisms, I am afraid that some are losing sight of the fact that our inspection personnel serve other valuable functions in the plants. They monitor the plant's quality

control programs and inspect facilities and equipment for sanitation before operations can begin.

Furthermore, our inspectors examine carcasses for visible contamination including fecal matter and ingesta which may, in fact, carry bacteria. They check refrigeration and cooking temperatures and monitor such vital steps as thermal processes in order to prevent botulism in canned foods.

These additional 160 inspection positions would help to meet the current legal requirements for inspection coverage. We cannot just abruptly stop operating our current inspection system. Our new program, to be designed in Track II, is not ready to be put in place and may not be for two to four years. We will, however, work to improve the current system and ensure that it is functioning adequately while planning for a new inspection program.

The third important component of Track I is labor relations. One of our first priorities in this area is to resolve questions about a Relations by Objectives activity with the inspectors' union. We are eliciting more input from employees at all levels so that they are involved in major initiatives from the beginning. We want their input at the beginning, not at the end of the process.

The fourth key element in Track I is our goal to reduce pathogens. And I will discuss that in more detail in a moment.

The fifth key element in Track I is consumer service. We feel that we need to intensify our health and education programs that positively influence food industry employee behavior. We need to expand our efforts to provide consumers with information on food handling practices. As one key tool, we are proposing to mandate safe-handling and cooking instructions on all raw meat and poultry at food service and retail.

Science and technology is element six of Track I. As a first step, we will continue to prepare a list of research and development priorities and encourage research in all the areas in which we have information voids.

Second, FSIS has accelerated its attention to use components of risk analysis that will include quantitative risk assessment, risk management, and risk communication.

Third, we will establish specific procedures for obtaining the advice of recognized experts on issues affecting the scientific and technical basis of our regulatory decisions.

Mr. Chairman, I think it is imperative that we use science, we use data to support regulatory programs of the future. We need this data to stand behind and support our decisions.

In contrast to our evolutionary approach in Track I that I have just described, we expect Track II to be revolutionary. If what we talk about in regard to Track II today sounds vague, that is intentional. I think it would be wrong for us in this agency to have much of a preconceived notion of what this new regulatory agency is to be. We do have general principals in mind to guide us in this process.

First, we know that the new system must be based on risk.

Second, we know that this must be an open process involving our constituents, including all experts, worldwide, using the TQM principles that we endorse.

Third, we think that we cannot take forever to complete this process. We envision a two- to four-year process.

Our objectives are clear: We must provide a vision of a public health risk-based inspection program that is not constrained by the configuration of the current program. We need to get out of the evolutionary mode. We must identify what will be needed to support implementation of a new program of inspections, including program mechanisms, necessary changes in the law, necessary requirements for resources including people and money. We must also identify what research and development work still needs to be accomplished in order to have such a program implemented.

PATHOGEN REDUCTION

Moving to the Pathogen Reduction Program, Secretary Espy has approved an overall strategy for pathogen reduction, and FSIS has taken immediate steps to strengthen public protection by squarely facing the risks posed by microbial pathogens in the food supply.

This is based on HACCP principles and incorporates the Pathogen Reduction Approach from the farm to the dinner table. This includes pre-harvest production activities, rapid detection methods, post-harvest research, pathogen reduction in slaughter and processing plants, food service and retail training, and educational activities, and an even more aggressive consumer awareness program than has been undertaken in the past.

In this new strategy, FSIS will take a decisive break from the past. The Department will not wait for pathogens to become a problem, nor will we be satisfied with holding the line against contamination. We will strive to reduce contamination at the source and at critical control points throughout the system.

The USDA believes that the people of this country want and deserve an up-to-date inspection service that is focused on protection of the food supply from disease. That is the most efficient use of taxpayers' dollars. The time is ripe for comprehensive cooperative efforts engaging the Department of Agriculture, Congress, consumers, and the meat and poultry industry that we regulate.

NUTRITION LABELING

One of the most important activities in the current fiscal year concerns nutrition labeling. In January of this year, FSIS and the Food and Drug Administration issued final rules requiring nutrition labeling on processed foods, including meat and poultry.

We proposed an exemption for products produced by small businesses, labels for raw, single-ingredient meat and poultry products. These new rules for meat and poultry will go into effect in July of next year.

I have briefly outlined our plans for the future of FSIS. We believe that by implementing these plans, FSIS will be able to provide the safest meat and poultry in the world. We plan to accomplish the goals by working with our sister USDA agencies and the Food and Drug Administration and the Centers for Disease Control in Atlanta.

It is my intent to see that these plans are carried out and achieve the result of a safer science-risk based meat and poultry

inspection program. And I plan to keep this committee advised of our progress and would welcome any comments or suggestions that you feel would be helpful to us.

Mr. Chairman, this concludes my prepared statement. I will be pleased to answer any questions that you might have.

[CLERK'S NOTE.—Biographies for Food Safety and Inspection Service staff appear on page 690. The Administrator's prepared statement appears on pages 691 through 710. The budget justifications, which were received on April 28, 1993, appear on pages 711 through 742.

INSPECTION MODERNIZATION

Mr. DURBIN. Thank you very much. Your testimony suggests that your agency is moving from the evolutionary to the revolutionary stage. When was the Boston Tea Party that has inspired you now to become a revolutionary?

Dr. CROSS. Mr. Chairman, this kind of thinking evolved in 1992. When I became the Administrator a little over a year ago, I took a hard look at this agency to see where it was, how it got there, what did work, and what did not work.

It became obvious to me that we tried the evolutionary approach over the last four decades. We tried some things that did work and a lot of things that didn't work. It was obvious to me that if we were to make significant progress and move forward to modernize inspection, we were going to have to take giant steps. We came to this decision in late 1992 and prepared a proposal to submit to the administration at the beginning of the year.

Mr. DURBIN. We have had an ongoing relationship with your agency in an effort to change and modernize the approach to meat inspection. In last year's appropriations bill, funds were not provided to continue the SIS-Cattle project because this Committee came to the conclusion that we weren't getting enough information about that program to justify its continued existence. But I think pre-dating that, and perhaps as a genesis of this, the National Academy of Sciences made some rather strong recommendations in 1985, about eight years ago; and it took until 1992, by your suggestion, for the agency to decide to take these recommendations to heart and to look at a more scientific approach in meat inspection.

I guess my question is, basically, whether or not FSIS has the qualified staff to do the kind of scientific work that is necessary to move toward this revolutionary change in meat inspection?

Dr. CROSS. Let me go back to the National Academy of Science Studies. Those were actually a series of three studies that we paid for, and they recommended over 60 different things that we should do as an agency.

I would estimate, based on what I have been told by my staff, that we have probably accomplished half of those. Some we cannot do because of the current statutory limitations; some we have not done because we have been using the evolutionary approach; and, as I look at them, particularly now based on risk basis, I was convinced that we couldn't do it using the tinkering approach. We had to use the drastic approach.

Those recommended changes that haven't been accomplished, have gone unaddressed because of our approach in regard to trying to modernize our present system one step at a time.

In regard to science, we have good staff in our agency. We have good scientists, but we also have a tremendous resource in our sister agency, the Agricultural Research Service, which accomplishes about \$16 to \$18 million worth of research for us each year.

We can also call on the many good universities around the country that have the capability to provide science, if we tell them what we want and what questions we want answered.

UNIVERSITY INVOLVEMENT IN MODERNIZATION PROCESS

Mr. DURBIN. Taking nothing away from the Agricultural Research Service, and we have a very high regard for them, I still ask the question of whether this is beyond their pay grade in terms of what we are trying to establish in human health inspection standards. You have added, as a postscript to your remarks, that you would also be engaging universities and others in this process. How would you do that?

Dr. CROSS. Basically, I think we need to do it in a competitive mode. Wherever the dollars come from—industry dollars, tax dollars, or state dollars—what we need to do in regulatory agencies is to make our needs known, and make our priorities known. I am a strong believer in mission-oriented research. We don't have the time or resources to do things that are just questions that would be nice to have answered.

Make those questions known and put the contracts out in a competitive mode for the universities. Let the best come forward.

CANADIAN IMPORTS AND EXPORTS

Mr. DURBIN. Let me move to another area of concern. There seems to be some confusion as to what our standards are going to be for imported meat. There was a controversy that appeared in the press within the last several weeks in relation to Australian meat transshipped through Canada and what standards we would use for that kind of meat.

As I understand it, one of my colleagues from Illinois, Congresswoman Cardiss Collins, had a hearing on this recently. I would like to give you an opportunity to tell me what the standard is, when meat is imported from Canada. Is any determination made as to whether it was transshipped from another country and, therefore, should be subject to additional inspection?

Dr. CROSS. Let me briefly say, Mr. Chairman, that, number one, in regard to what the standards are for imported meat in this country, they are the same as for domestic products.

Our international program staff is in the mode of evaluating the country's inspection system which has to be equivalent to ours. We look at and certify the plants in the country. When the product comes in from those countries, we inspect it again.

When meat comes in from another country and goes through a country like Canada, for example from Australia to Canada, to the United States, it is actually inspected three times. We have had a situation, I believe in January of this year, in which seven loads of

meat came from Australia—it was not removed from the boxes which clearly identified the meat as an Australian product and it came into the United States through Canada. When it came into Canada, it was inspected. And when it came into the United States, it was inspected as coming from Canada and Australia.

The mistake that was made by us in this country was not in the public health area. Basically, when meat comes from Australia and Canada into the United States, the Canadian Government would have used a Canadian health certificate. There were no errors made in regard to the public health protection in regard to that product coming into this country.

Mr. DURBIN. For that particular shipment, I am told that all seven loads of beef received a non-routine inspection assignment, which I take it means that it was neither off loaded for a transportation damage inspection nor was it given a full product exam. Your testimony suggests that it was inspected.

Dr. CROSS. We use a system where the computer decides which trucks are going to be inspected as they enter the country. I will have to check with my staff to see whether those loads were inspected or not.

[The information follows:]

Each of the seven loads of Australian meat was checked for proper certification, labeling and general condition. However, these particular loads were not selected for further reinspection, such as product examination, species identification, or residue testing.

FSIS has never required full inspection of imports from any country. This is neither feasible nor necessary. To do so, the Agency would have to significantly increase the number of import inspectors both on the border and at ports of entry. The import reinspection program represents a spot check of already inspected and passed product from countries that have inspection systems equal to the U.S. system. Also, each shipment of imported product is certified by the exporting country as meeting all U.S. standards. If we do detect a problem at a port of entry, the next 15 loads from the same source would be subject to full reinspection in order to insure that the detected problem has been rectified.

Dr. CROSS. As the truck crosses the border, the truck driver is told whether that shipment is going to be inspected or not. The truck driver has an option of going to the border inspection station for inspection, or to one of our inspection import stations within the country. I do not know if the particular shipment was inspected or not, but if it was not, it was because the computer didn't select it for inspection.

Mr. DURBIN. What percentage of truckloads of imported meat is your computer programmed to inspect?

Dr. CROSS. For product coming from Canada, we select something in the neighborhood of 3,000 lots per year. I would have to get back to you on what percentage that is.

Mr. DURBIN. Our information suggests that it is 1 in 10. As I understand it, when the inspection is made, the inspector is allowed to look into the back of the truck but can only stand on the outside, he or she cannot use a flashlight or try to match the numbers that are on the boxes inside of the truck with the forms; is that correct?

Dr. CROSS. Why don't I get Mark Manis to come up and give you specifics. But, basically, the product is staged out of the truck when it is inspected.

Mark, why don't you come up; tell them what happens when a truckload of meat crosses the border and how it is inspected.

Mr. DURBIN. Would you be kind enough to identify yourself for the record?

Mr. MANIS. My name is Mark Manis. I am the Director of the Import Inspection Division, FSIS.

We made changes with respect to Canadian inspection last summer. I would like to describe what those changes are and indicate what we do with product coming in from Canada.

As Dr. Cross indicated, the truck enters the country and is unaware whether it will be inspected or not; which is the same procedure that we do for all other countries. There is a random opportunity for inspection.

Another prefatory point here is that all of this product is already inspected and passed by the exporting country. So it is a reinspection sampling function. It is not a lot-by-lot inspection function, and it never has been; and it should not be because it has already been inspected and passed and certified as such by the exporting country.

So on a random basis, a truck can come in and we will either inspect it by way of a product examination; or we will do an inspection of the certificate and open the rear of the truck to see if things are in order. If they are not in order, then the inspector has the authority to proceed to have that truck offloaded.

Furthermore, if we do an inspection and we find a problem, the next 15 loads from the plant of the exporting country that had a problem are automatically subject to inspection. As an overview, that is the way our system works.

Mr. DURBIN. Now, in the case of transshipped meat, how do you establish the country of origin and whether an inspection was made to determine that it meets U.S. standards?

Mr. MANIS. There are two issues with respect to transshipment, one is health and that is an FSIS issue; and the other is a trade issue. I will describe both, first starting with safety.

In the case of Australian product, that product is subject to inspection in Australia, and each load is certified for export, then it is subject to Canadian import inspection.

After Canadian import inspection, the product may be further processed; and that could include slicing or grinding.

Then the product is put back in another box, and is identified as a Canadian product. A Canadian certificate is issued and the product enters the U.S. and is subject to U.S. in-plant inspection.

After U.S. import inspection, in most instances, it would be further processed, and would be subject to U.S. domestic inspection.

So we have Australian product inspected in Australia, inspected by Canada, an import inspection at their port, U.S. inspected at the border, and U.S. inspected in the domestic plant.

In effect, in that scenario, the reality is that that product is subject to more inspections than had it come directly from Australia into the U.S.

May I go on to the trade issues?

Mr. DURBIN. Sure.

Mr. MANIS. In the case of inspection, the certificate is issued by Agriculture Canada and is identified as a product of Canada because it has been further processed.

I might point out that the same process works in reverse. If that same Australia product came into the U.S., was ground and put into another box, we would issue a U.S. export certificate. It is a reciprocal arrangement. That is the safety question.

There are trade issues regarding quotas and tariffs and that's not, of course, monitored by FSIS, but rather by another Federal agency.

In the case of trade, in terms of how the product is declared as it enters the U.S., it must be identified as product of Australia, notwithstanding the fact that for inspection and safety purposes it is identified as product of Canada.

Mr. DURBIN. Have we established reciprocal standards with every country of origin that could ship meat to the U.S.?

Mr. MANIS. Yes. If they didn't have those standards they would not be able to export to the United States.

Mr. DURBIN. When you do choose to inspect a truckload of meat coming in from another country, do you hold that entire load until the inspection is completed?

Mr. MANIS. That's correct.

Mr. DURBIN. So the product isn't released to the market until the inspector gives it a seal of approval?

Mr. MANIS. That is correct.

Mr. DURBIN. Can you tell me what percentage of trucks are stopped?

Mr. MANIS. With Canada we sample the entire country. That is we take 3,000 monitoring samples a year.

To determine what kind of ratio, one needs to look at the whole year and see how many loads came in. Historically, the ratio has been one in eight. So each year, Canada exports about 24,000 shipments and we inspect 3,000. That is the normal monitoring.

In addition to doing normal inspections, as I indicated earlier, if we have a problem we inspect in an intensified mode, which takes the 3,000 up to about 5,000. Normal monitoring is 3,000 out of 24,000, and then there is the additional intensified inspection of another 2,000.

Mr. DURBIN. Are the standards applied to American meat exported to Canada the same?

Mr. MANIS. Yes, they are. In the changes that we made with Canada last summer, we brought the two countries' import programs much more closely in line with the domestic programs of the two countries.

The U.S. and Canadian standards and procedures are, literally, the same. In terms of inspection, rejection, and criteria, they are applied the same for U.S. product going north as well as for Canadian product going south.

FREE TRADE AGREEMENT

Mr. DURBIN. We are concerned, of course, with the NAFTA agreement. One of the major concerns where I live is the whole

question of health and food safety in terms of imported agricultural products.

Conceding that we already import a lot of food from Mexico, primarily fruits and vegetables, where are we now? What is the status between the United States and Mexico on agreeing to health and sanitation standards? I ask this question having signed a letter just yesterday at the request of my pork producers, because of this ongoing battle with the Mexican government as to whether U.S. meat inspection meets Mexican standards, which is a little hard for me to say with a straight face. Am I missing something here? Do we have an agreement with this country, or is this part of a trade war we hope to solve with NAFTA?

Dr. CROSS. Go ahead.

Mr. MANIS. Thank you, Dr. Cross.

Dr. CROSS. He is doing so well.

Mr. MANIS. I think the important factor here is to learn from our experience with Canada in terms of the Free Trade Agreement and what that might bode for the future.

The bottom line is that we have been able to make changes and function within the context of that Free Trade Agreement. We have made improvements, and they have worked. We foresee the same kind of arrangement under NAFTA, an example being that Canada is approved to export poultry to the U.S. There are only five countries that are so approved; Mexico is not. It is a rigorous approval system. That would not change under NAFTA. Mexico would have to go through the same process that Canada went through, and the other countries must go through.

To summarize it, we feel very comfortable that we can pursue our safety-related issues of inspection in the context of either of those agreements.

Mr. DURBIN. What you are saying is that you hope NAFTA will cure some of these problems?

Mr. MANIS. No. Actually, not cure. I think that we can solve our problems in the context of NAFTA. This gives us the latitude to solve them appropriately and does not confine us.

The example is the Free Trade Agreement with Canada. The language was sufficiently broad that enabled us to improve our inspection program. And we foresee the same approach in the case of NAFTA.

Mr. DURBIN. Are you involved in the NAFTA negotiations that are going on?

Dr. CROSS. We are not involved in the current negotiations.

Mr. DURBIN. How do you see NAFTA affecting the meat and poultry industry and, specifically, your agency?

Dr. CROSS. Mexico exported 1 million pounds of beef to the U.S. in 1992, compared with 767 million pounds from Canada. However, Mexico is the second largest importer of U.S. meat exports and the fifth largest importer of U.S. poultry products. In order for Mexico to ship meat or poultry to the U.S., it must continue to meet the import requirements under the Federal Meat and Poultry Inspection Acts. The NAFTA incorporates the Sanitary and Phyto-sani-

tary agreement that is part of the current GATT negotiations. This agreement requires inspection standards to be scientifically based and provides a dispute settlement process.

UNITED STATES-CANADA FREE-TRADE AGREEMENT

Mr. DURBIN. Provide some further details on the U.S.-Canada Free Trade Agreement and how it relates to meat and poultry inspectors.

Dr. CROSS. The Free Trade Agreement, which took effect January 1, 1989, called for the removal of trade restraints, and it encouraged free commerce in meat and poultry. It did not dictate inspection procedures, and it did not supersede Federal inspection laws. These laws require countries exporting meat and poultry to the U.S. to have inspection controls at least equal to ours, and they require meat and poultry imports to meet the same wholesomeness and labeling standards as domestically produced products. Canada is unique among countries that export meat and poultry to the U.S. in that its inspection system is virtually the same as the U.S. inspection system. These similarities were documented in a March 1992 report by FSIS.

In August 1982, Canada and the U.S. implemented several changes to strengthen import inspection and make the two systems more comparable to one another. Inspection frequency for meat and poultry products imported into the U.S. and Canada are set at equivalent levels. In addition, shipments that are refused entry or not presented for inspection are subject to an equivalent system of follow-up procedures in each country. Also, previous procedures where Canadian inspectors were responsible for selecting samples prior to shipment to the U.S. has been discontinued. Now, all samples are selected by U.S. import inspectors at approved import establishments.

MICROBIAL HAZARD MONITORING

Mr. DURBIN. Now, let's move into post-revolutionary rhetoric. Once we have gone through the revolution and we are into scientific microbial inspection, can we correctly assume that we would hold all other countries exporting to the United States to the same standards?

Dr. CROSS. You certainly can. And that isn't Track II; that is Track I. Anything that we do on the pathogen strategy will be applied to all countries importing into the U.S.

Mr. DURBIN. Will we require the same level of inspection at processing, or will we be inspecting the meat to be sure that it meets the microbial standards?

Dr. CROSS. Both. We will do microbial testing.

Mr. DURBIN. I am totally confused as to the position of your agency on this question of the presence of fecal matter on meat. I have read the directive which was sent out, the zero-tolerance, hard-nosed, get-tough directive. Then I have read the statements in the press by you and others afterwards which seem to backpedal as far as you could because of complaints from Excel Corporation and other meat processors that do not want you to establish the

zero-tolerance which would result in slowing down the processing line.

This kind of mixed message has to create confusion at the processing plant, I know it does in this Member's mind. Here is your chance to straighten the matter out.

Dr. Cross. I appreciate that opportunity. Let me begin by saying that there is no new policy. We didn't create a new policy for fecal material. We did change, in beef, the location in the plant where we were requiring the removal of fecal material; and we did insist that this fecal material be trimmed.

Basically, the reason I did this a few weeks ago is that I wanted to make sure that there was no question in our inspectors' minds that we were, in fact, on a zero-fecal policy and that we were enforcing that. Changing the location where we removed fecal material did cause some problems for the industry.

However, the industry has been cooperative in making these changes because the consumer, the public, doesn't want fecal material on their product; and our policy has been—and it will be—that it will be zero. There was some confusion. We did not backpedal. We have not backpedaled.

I think all you need to do is ask the industry about that because they would tell you that we have not and don't intend to.

Mr. DURBIN. I refer to an article in the March 1993 issue of a publication entitled, Food Chemical News. In a statement attributed to you, Dr. Cross, I read, "Cross assured a representative of a major beef packing firm that this zero tolerance would apply only to, obvious contamination of fecal or ingesta origin, according to a memo authored by Cargill's Dell Alle that was released by GAP."

GAP I might add is the acronym for Government Accountability Project. GAP said the memo shows FSIS may have begun to gut the new public health standard. I take it that some of this information, through the Government Accountability Project, was through a whistleblower.

Now, can you tell me, when you use the term obvious contamination, what is the message you are sending?

Dr. Cross. I want it to be identifiable for what it is. I didn't want microscopic pieces of unidentified material to be called fecal.

Mr. DURBIN. So this is the prerevolutionary approach?

Dr. Cross. Yes. This is Track I. What I was trying to do in that conversation with the Excel executive was to express a concern that I have—and I still have—any time I try to make sure that policy is being carried out in an agency as large as ours in five regions, and 185 circuits. The concern that we always have is the consistent application of inspection standards. What I told the Excel executive is, if you see a different application of policy being applied from one area, one region, to another, then I think you need to communicate that to the regional director so that it can be corrected. We want to establish a level of inspection that is not different from one part of the country to the next.

Mr. DURBIN. It seems to me, in reading this Food Chemical News article, that there is real attention or maybe a war here between your agency and meat processors in terms of this zero-tolerance standard.

Let me read a quote from Mr. Patrick Boyle.

Do you know the man?

Dr. CROSS. Very well.

Mr. DURBIN. This is a quote from the same publication. "Visible defects which industries always work to reduce make a major role in pathogen reduction. We all want to reduce the pathogens. Having inspectors pour over carcasses with magnifying glasses serves no useful purpose."

I am trying to look at this from the viewpoint of a taxpayer and consumer. When you have a regulatory agency putting out a zero-tolerance standard, and you have the industry reacting by saying you have gone too far; your inspectors are slowing down the process and doing things they don't have to do, and in response the regulator steps back and says, we didn't mean to go that far, that is not a confidence builder, particularly when we are talking about a revolutionary era where we are really going to get serious.

Dr. CROSS. Let me address the pathogen relationship to fecal material. We feel that there is a relationship between fecal material and pathogens in the carcass. But even if there wasn't, we feel that the consumer does not want fecal material on their product and that is a notion we cannot back away from.

I do not agree with what the media is saying, that we are backing away. We are just trying to consistently apply the policy that we decided upon and to make sure that we were enforcing it. And in doing that, we do not want to have some people inspect it one way in one part of the country and a different way in another. The media is interpreting it, in a way, perhaps as backing off.

Mr. DURBIN. How are the processors interpreting it?

Dr. CROSS. I think if we were to quiz the industry, they would say that we are not backing off. They are concerned that we are not consistent in one part of the country to the next. And that is going to take a few days and weeks to level out.

Mr. DURBIN. Has there been a slowing down of the line speeds as a result of inspectors asking for closer inspection?

Dr. CROSS. I am sure there has been. Any time you change a position in a plant where we remove the fecal material, there is going to be some effects on the speed of the lines. Hopefully, that is going to be temporary; but our goal is to get the fecal material off.

Mr. DURBIN. Have uniform guidelines been established for inspectors around the country to follow?

Dr. CROSS. During the week of February 22, 1993, the five Regional Directors met with the Assistant Deputy Administrator, Regional Operations, and the staff of the Program Review Branch in Lawrence, Kansas. They worked as a group and developed a verbal set of guidelines which were subsequently discussed with each of the area supervisors, and were confirmed in a March 2 memo from the Deputy Administrator, Inspection Operations, to all Inspectors-In-Charge and plant operators.

Mr. DURBIN. Is it realistic to enforce a zero-tolerance level on the slaughter line?

Dr. CROSS. Yes, it is realistic to require that no fecal, ingesta or milk contamination be allowed to remain on cattle carcasses, and it is possible of attainment.

ADDITIONAL INSPECTORS

Mr. DURBIN. Included in President Clinton's Economic Stimulus is \$4.0 million to cover 160 additional meat and poultry inspectors. There are some who believe that hiring additional full-time inspectors is unnecessary when you could increase the part-time and intermittent help to cover shortage areas. Tell us, from a policy as well as an economic standpoint, the agency's reaction to this.

Dr. CROSS. There are limitations on the use we can make of intermittent inspectors. First, they do not have the current scientific training necessary to perform certain jobs, particularly in the processing area. Second, there are statutory limitations on the number of hours that we can employ them each year. Third, it is difficult to find sufficient numbers of people seeking intermittent work in areas like beef slaughter inspection.

From a policy perspective, we would prefer to hire and utilize part-time and intermittent help in the manner originally envisioned, that being temporary relief for permanent full time (PFT) staff. Factors which enter into this decision involve the differing levels of training provided full time and part-time employees as well as the consistency of the decisions being made in the work place.

PATHOGEN REDUCTION PROGRAM

Mr. DURBIN. Describe in further detail your proposed Pathogen Reduction Program.

Dr. CROSS. We are taking immediate steps to strengthen public health protection in this area. We will include a pathogen reduction program in our future inspection system to reduce the likelihood of harmful microorganisms entering the food supply. The program will be based on HACCP principles, and will cover critical pre-harvest production activities, research on more rapid methods of detecting pathogens, and research and better control procedures in slaughter and processing plants, food service and retail areas. An aggressive consumer education effort will be an important part of the program. We have recently completed a program outline which I will provide for the record.

[CLERK'S NOTE.—The document is too lengthy for reprint. A copy is retained in Committee files.]

PATHOGEN CONTROL

Mr. DURBIN. Dr. Cross, in your testimony, you state that, and I quote, "The control of pathogenic microorganisms is and always has been an implicit goal of the Federal meat and poultry inspection program. The program has worked to achieve this goal through such activities as continuous organoleptic inspection in slaughter-houses, the daily monitoring of operations in further processing plants, laboratory analyses and scientific research, and consumer education." Would you be more specific and describe in some detail how you control pathogenic microorganisms through each of the activities listed?

Dr. CROSS. Continuous inspection in slaughterhouses includes procedures which are designed to reduce the likelihood that pathogenic organisms are transferred from animals to food products—

our recent re-emphasis of existing requirements that fecal contamination and milk contamination be trimmed are examples of such procedures. Daily monitoring of operations in processing establishments includes checks on those procedures like cooking and canning which are designed to eliminate pathogenic organisms from ready to eat products. Laboratory analyses have included microbiological checks on finished products to ensure that our zero tolerance for pathogens such as *Listeria monocytogenes* and *Salmonella* is being observed in meat and poultry processing establishments. The scientific research we have commissioned from the Agricultural Research Service has included efforts to develop rapid methods so that detection of pathogens can be accomplished more quickly and reliably. Our consumer education efforts have focused on food handlers, plus provided hundreds of thousands of consumers with advice on what they can do to control pathogens through their cooking and handling practices.

Mr. DURBIN. How many samples were taken and pathogenic analyses conducted in fiscal year 1992?

Dr. CROSS. In fiscal year 1992, 9,008 samples were analyzed for pathogens with 34,685 tests performed.

MICROBIOLOGICAL BASELINE SURVEY

Mr. DURBIN. A nationwide microbiological survey to establish baseline data on the profile of beef was initiated in fiscal year 1992 and is continuing into this fiscal year. Would you bring us up to date on the status of this survey, including cost and a completion date?

Dr. CROSS. A 3-month trial of the Nationwide Beef Microbiological Baseline Data Collection Program for steers and heifers was begun in July 1992. The formal program was begun in October 1992. The initial operating difficulties, expected with a program of this size, have been corrected and the program is proceeding as planned. The program is expected to be on-going, with the results being compiled yearly. The target organisms are: *Staphylococcus aureus*, *Salmonella*, *Listeria Monocytogenes*, *Escherichia coli* (Biotype 1), *Escherichia coli* 0157:H7, *Clostridium perfringens*, *Campylobacter jejuni/coli*. In fiscal year 1993, we estimate that \$407,000 will be required for this survey.

Mr. DURBIN. Were samples collected at different times throughout the slaughter process to establish baselines from feeding lot to end product?

Dr. CROSS. In the Nationwide Beef Microbiological Baseline Data Collection Program for steers and heifers, which is currently underway, samples are collected immediately after carcass chilling, the end point of slaughter and dressing operations.

Mr. DURBIN. Are cattle from the five SIS pilot plants included in the survey?

Dr. CROSS. All five SIS pilot plants are now receiving traditional inspection service. Steers and heifers at all five of the former SIS pilot plants are included in the survey.

Mr. DURBIN. Are these samples being incorporated into the baseline or are they being kept separate?

Dr. CROSS. These samples are being incorporated into the total baseline study.

MICROBIAL METHODOLOGY

Mr. DURBIN. How much did you spend on scientific research in the area of microbial methodology in fiscal year 1992?

Dr. CROSS. In fiscal year 1992, \$2,294,000 and 26 staff years were devoted to microbial methodology at Beltsville, Maryland.

DETECTION OF E. COLI

Mr. DURBIN. The *Atlanta Journal* has reported that you are looking into the use of a new test developed by a University of Georgia scientist to detect *E. coli* in milk and meat. What is this test and does it show promise?

Dr. CROSS. This test is a rapid ELISA (Enzyme-Linked Immunoabsorbent Assay) method that, as yet, is not commercially available. When the test is made commercially available, FSIS microbiologists will evaluate its use compared to the rapid ELISA method which we use in processing meat samples from the *E. coli* 0157:H7 outbreak. This method does show promise in that the test takes approximately ½ hour to complete after enriching the meat sample for 24 hours in an enrichment broth.

HAZARD ANALYSIS AND CRITICAL CONTROL POINT INSPECTION

Mr. DURBIN. Dr. Cross, your agency has been studying the Hazard Analysis and Critical Control Point, or HACCP, System for use in five areas of the meat and poultry inspection process. As a result of hearings held during 1990, it was decided that HACCP should apply only to safety issues, such as the prevention of microbiological, chemical, and physical hazards in meat and poultry production. The five areas being studied include refrigerated foods, cooked sausage, fresh ground beef, poultry slaughter, and swine slaughter. Would you bring us up to date as to the status of each of these areas?

Dr. CROSS. As of March 1993, FSIS has successfully completed the workshop phase of the Agency's HACCP models for five products/processes: refrigerated foods, cooked sausage, poultry slaughter, fresh ground beef, and swine slaughter.

The Agency is currently completing the pilot testing for each of the first three HACCP models—refrigerated foods, cooked sausage, poultry slaughter—in three volunteer plants of varying size and complexity. To date, two refrigerated foods and one cooked sausage pilot test have been completed and the aggregate data—microbiological, chemical, and physical—are being compiled for analysis. The remaining refrigerated foods pilot and two cooked sausage pilots are scheduled for completion in April and August 1993, respectively. The three poultry slaughter pilots are scheduled for completion in Summer 1993.

Because the Agency had initially anticipated that the HACCP initiative would conclude in 1992, the Agency decided to forego in-plant testing and evaluation of the final two products/processes—fresh ground beef and swine slaughter—until a later time

A final report of the Agency's HACCP Study is scheduled for completion by the end of September 1993.

Mr. DURBIN. In light of the unfortunate incident that occurred on the West Coast with under-cooked ground beef at a fast food restaurant, could a HACCP system have prevented contaminated meat from reaching the public?

Dr. CROSS. Unfortunately, the pathogen responsible for the tragic outbreak of foodborne illness on the West Coast, E. coli 0157:H7, is one which is present in the environment, and no system can be sure of preventing it from contaminating the food supply. However, we firmly believe that a HACCP approach, by strengthening Agency oversight of product sanitation and handling, would greatly diminish the likelihood of incidents similar to the recent one on the West Coast.

Mr. DURBIN. What role, if any, will HACCP play in the new inspection program being developed?

Dr. CROSS. HACCP principles will have an important role to play in inspection systems of the future. Our Pathogen Reduction Program is based on the HACCP principle of identifying the critical control points from farm to table through which pathogen reduction might be accomplished. In addition, we expect to be taking microbiological samples at critical control points to monitor and oversee activities in slaughter and processing plants to make sure their environments and products are as clean as possible.

Mr. DURBIN. Please update the table that appears on page 550 of last year's hearing record showing how much has been spent in pursuing the HACCP System to include fiscal year 1992 actuals and fiscal year 1993 estimates.

Dr. CROSS. I will provide this for the record.

[The information follows:]

Item of expense	Fiscal year 1990	Fiscal year 1991	Fiscal year 1992	Fiscal year 1993
Travel	\$107,000	\$225,000	\$303,000	\$166,000
Transportation		1,500	10,900	10,000
Rents/communications	456	2,600	1,000	5,000
Misc/equipment/supplies	96,941	183,800	123,800	75,000
Total	204,397	412,900	438,700	256,000

COOKING STANDARDS FOR HAMBURGER PATTIES

Mr. DURBIN. You are going to publish final regulations establishing time and temperature minimums for the processing of partially cooked hamburger patties. How will these be different from existing standards?

Dr. CROSS. The regulation would provide higher temperatures, more consistent with present knowledge about emerging pathogens and temperatures required to kill them.

REVIEW OF BEEF SLAUGHTER PLANTS

Mr. DURBIN. FSIS has begun a special review of beef slaughter plants to identify those that may be failing to consistently produce

clean, unadulterated products. Would you describe this in more detail?

Dr. CROSS. We want to do all within our present authority to immediately lessen the likelihood of further occurrence of food infection or contamination by *E. Coli*. As of March 2, 1993, FSIS implemented a zero defect level for contamination involving fecal material or ingesta.

The likeliest source of *E. Coli*. 0157:H7 is mature milk cows. Our special review involved a biased sampling of plants slaughtering dairy cows and fat cattle. Of special interest were plants identified as having dressed the cattle supplied by Von's to Jack in the Box restaurants, as well as plants with prior histories of noncompliance of various kinds.

FSIS reviewers were teamed with staff specialists from our five regional inspection offices to organize five special teams. Having no current microbiological standards, we simply looked for visible signs of likely contamination, focusing on dressing procedures that might lead to *E. Coli* contamination of meat. The more obvious sources of this kind of contamination would be milk spillage from lactating udders or fecal contamination from faulty practices or accident during evisceration.

The special review is intended to identify whether there may be something inspectors can do differently, within our current authority, to strengthen defenses against this sort of contamination in the Nation's meat supply. Concurrently, we notified all operators of federally inspected slaughter plants of the need to strengthen controls guarding against accidental contamination with *E. Coli*. Our purpose is to assure that federally inspected slaughter plants conform to the highest possible standards under present authorities—most pointedly to the zero defect criteria for fecal material or ingesta.

Mr. DURBIN. If this is a problem, why hasn't this review occurred prior to the incident in Washington?

Dr. CROSS. All inspected plants are, and have been, under continuous review as part of our normal inspection procedures. This was a special review constituting an additional intensified effort in direct response to the recent incidents associated with ground beef in the Northwestern United States. It does, however, highlight problems identified in earlier studies.

EXTENSION SERVICE

Mr. DURBIN. In fiscal year 1992, the Extension Service made \$1.2 million available to states for projects on model food safety educational programs. One of the funding categories consists of model programs to educate food handlers in ways to reduce the risk of foodborne illnesses. Are you coordinating your efforts with Extension?

Dr. CROSS. Yes, we have an interagency working group to coordinate our efforts and avoid duplication, and we communicate continually on matters of mutual interest.

PROGRESSIVE ENFORCEMENT ACTION

Mr. DURBIN. In fiscal year 1991, you initiated the Progressive Enforcement Action, which establishes steps an inspector should take when establishments are unwilling or unable to maintain compliance with regulatory requirements. How effective has this initiative been?

Dr. CROSS. The Progressive Enforcement Action system was designed to cause enforcement actions to take place earlier and become more intensified at lower levels of the organization. As a result of this more timely action by the inspection force, corrective action by plant management is also taken earlier.

RAPID TESTS

Mr. DURBIN. At this time last year, you were testing a new rapid test to detect illegal residues from drugs and chemicals called Fast Antimicrobial Screen Test or FAST. How does this test compare to those already in use?

Dr. CROSS. Preliminary evaluation of the field trial data indicates that the FAST test is comparable to the CAST test and better than the STOP test for identifying potentially violative antimicrobial residues in bovine species.

Mr. DURBIN. Will FAST replace the Calf Antibiotic and Sulfa Test (CAST), and the Swab Test on Premises (STOP)?

Dr. CROSS. The goal is to replace the CAST and STOP tests with FAST. This test will be gradually phased into slaughter establishments upon completion of training manuals, contracts for test reagents, and training of inspectors in the technique.

Mr. DURBIN. Please update the table that appears on page 558 of last year's hearing record showing the number of SOS, STOP, CAST, and FAST tests performed in each fiscal year to include 1992.

Dr. CROSS. I will be happy to provide that information for the record.

[The information follows:]

RESIDUE TEST BY CALENDAR YEAR

	1986	1987	1988	1989	1990	1991	1992
SOS.....	(¹)	(¹)	85,720	116,726	108,122	106,207	106,278
STOP.....	22,236	30,338	56,565	85,083	115,726	117,850	124,461
CAST.....	156,378	204,222	168,210	175,427	115,403	79,666	111,833
FAST.....	(²)	(²)	(²)	(²)	(²)	20,000	(³)
TOTAL.....	178,614	234,560	310,495	377,495	339,251	323,723	342,572

¹ The SOS program began in 1988.

² The FAST pilot test was conducted from August to December of 1991.

³ FAST trial data is currently being analyzed.

Mr. DURBIN. What were the results of these procedures?

Dr. CROSS. In calendar year 1992, there were 225 violations detected by SOS tests, 2,206 violations detected by STOP tests, and 2,021 violations detected by CAST tests.

PERFORMANCE BASED INSPECTION SYSTEM

Mr. DURBIN. A report on the Performance Based Inspection System or PBIS is due in early 1993. As I understand it, this system was established in 1991 as a computerized method to establish processing plant inspection tasks. Inspectors' reports are input into the database to establish a history for each plant and allow FSIS to schedule inspection activities based on health and safety, economic adulteration, and risk to the customer. What is the status of this report?

Dr. CROSS. PBIS was implemented in processing plants in 1989. In August 1992, the Agency conducted a mail survey of the processing inspectors and managers in order to identify and prioritize additional enhancements for the system. The report, "Results of the PBIS Enhancement Survey," was completed in December 1992, and is now being evaluated for ways to improve the inspection assignment system. In addition, the Agency conducted the "Data Quality Study," to identify potential causes of inaccurate data. A final report on this study is expected to be available in May 1993.

Mr. DURBIN. Will any changes be made to the system?

Dr. CROSS. Yes, the Agency is continually seeking ways to improve the system. We are studying the PBIS Enhancement Survey to evaluate possible system improvements or enhancements. Also, the Data Quality Study findings will provide the Agency with additional information which may prove helpful in improving PBIS.

ON-FARM INSPECTIONS

Mr. DURBIN. Describe in further detail your initiative to go out into the fields to examine on-farm practices and conditions. Is this beyond your authority?

Dr. CROSS. FSIS does not, in its legislation, have authority to conduct inspections of farms. FSIS intends to cooperate fully with the Animal and Plant Health Inspection Service and other institutions which have interests in and experience in dealing at the on-farm level in its efforts to prevent pathogens at their live animal sources.

Mr. DURBIN. What would it take in additional resources, both personnel and dollars, to implement such an initiative?

Dr. CROSS. Funds to implement this phase of the pathogen reduction program are being considered as part of the Administration's 1994 budget submission. A small amount of money would be required for the coordination and planning of this on-farm effort.

OSTRICH INSPECTION

Mr. DURBIN. As I understand it, last year, you were in the initial stages of developing standards and procedures for ostrich slaughter inspection. What is the status of this initiative?

Dr. CROSS. Provisional standards and procedures for voluntary USDA inspection of ostriches have been developed. In March 1993, three ostriches were USDA inspected and passed under a voluntary grant of inspection. Over time, as more ostriches are presented for slaughter inspection, we will test, verify and modify our provisional standards.

VOLUNTARY INSPECTIONS

Mr. DURBIN. How many inspections were performed in fiscal year 1992 on a voluntary basis?

Dr. CROSS. The Agency has approximately 420 plants with approved voluntary grants of inspection. The actual inspection needs of these plants vary on a daily, sometimes hourly basis, in that a plant may operate for part of a day under normal inspection activities and then finish the day with a brief period of voluntary inspection activities. The vast majority of voluntary inspection activities occur in blocks of 1 to 2 hours per day or per week. The Agency does not have any inspectors who work full time on voluntary inspection; however, in total, our inspectors worked about 63,000 hours on voluntary inspection duties, including the issuance of export certificates. A major part of the voluntary inspection program is rabbit inspection. In 1992 we inspected 432,000 rabbits.

NUTRITION LABELING

Mr. DURBIN. The final nutrition labeling rulemaking was scheduled to be published in November 1992. What is the status of the proposal?

Dr. CROSS. On January 6, 1993, the Food Safety Inspection Service issued its final rule on "Nutrition Labeling of Meat and Poultry Products," as did the Food and Drug Administration for all other products. Manufacturers already have begun to redesign their food labels according to the new specifications. The rule becomes effective July 6, 1994, when most processed meat and poultry must carry the new nutrition label.

Mr. DURBIN. You have proposed exempting small businesses from the labeling requirements. Was this exemption included in the final rule? If so, how did you define the small business that would be exempt?

Dr. CROSS. FSIS has exempted certain products from the mandatory nutrition labeling provisions. Specific exemptions include products served in restaurants and other institutions; products in small packages weighing less than ½ ounce, unless a nutrition claim is made—a modified label is permitted for intermediate-size packages; products produced by small businesses, unless a nutrition claim is made. A processed consumer-ready product will be exempt from nutrition labeling if the firm producing it has 500 or fewer employees and produces less than 100,000 pounds of that product per year. This small business exemption will be phased in over a 3-year period; and products produced or packaged at retail, such as sliced bologna.

Mr. DURBIN. What is the status of your prior label approval process?

Dr. CROSS. FSIS currently maintains a label approval system under which all labels for meat and poultry products must be approved prior to use. Label approval consists of a review to ensure that the label includes all required features and is not otherwise false or misleading. We are presently considering some changes in the prior approval requirement. We have issued an "Advance Notice of Proposed Rulemaking" which solicits public comment on two specific proposals.

Mr. DURBIN. How will the new labeling requirements affect this process?

Dr. CROSS. The proposal to eliminate the need for prior approval of some labels would not be affected by the new requirements for nutrition information. If the present requirements for prior approval are amended, it will be the responsibility of the plants to conform to the requirements of the regulations. FSIS would conduct spot reviews of labels in use to ensure that this is being done.

Mr. DURBIN. What policy changes, if any, would result from this labeling initiative?

Dr. CROSS. The first proposal option would amend the current system by expanding the number of categories of generically approved labels which would no longer require FSIS prior approval, and would replace the present requirement for FSIS approval of final labels with a requirement for FSIS approval of sketches only. The second proposal would replace the present system with one in which all labels would be generically approved and could be used without prior approval by FSIS.

Under both options, more labels would be generically approved. Generic approval requires that the labels conform to FSIS criteria adopted and promulgated after appropriate notice and comment by the Agency. Such a labeling approval system would be similar to that used by FDA for the foods which it regulates. FSIS would continue to closely monitor the process by reviewing a significant number of randomly selected labels to assure that the industry complies with the requirements for accuracy of labeling information.

Mr. DURBIN. Imported products must also comply with new labeling requirements. What effect, if any, will this have on imported products?

Dr. CROSS. All imported product labeling must be in full compliance with the new regulations by July 6, 1994. We are informing each foreign country of this requirement, and providing copies of the regulations and other documents to fully explain what they must do to comply. As labels are modified, they will be approved by FSIS prior to use.

Mr. DURBIN. Have any countries applied for exemptions?

Dr. CROSS. To date, no countries have applied for exemptions. Imported products covered by the new nutrition labeling regulations will be exempt under the same provisions as domestic establishments—small business, products packaged in small packages (less than ½ oz.), product distributed through retail establishments, institutional foods, or products intended for further processing.

SAFE-HANDLING LABELS

Mr. DURBIN. On page 9 of your testimony, you state that you are proposing to mandate safe-handling and cooking instructions on meat and poultry labels. Will this proposal be incorporated into your nutrition labeling initiative or will it proceed on a separate track?

Dr. CROSS. The proposal to mandate safe-handling labels and the nutrition labeling initiative are not currently linked. As we develop

our proposal on safe handling we will evaluate whether it would make sense to make a linkage between the two initiatives.

Mr. DURBIN. What will be the cost to industry to include this information on these labels?

Dr. CROSS. We will be developing cost estimates for the safe-handling proposal as we get further along in the process.

CONSUMER EDUCATION

Mr. DURBIN. The Extension Service provides educational materials on safe-handling of meat to low-income individuals. Are you coordinating your efforts with Extension and other agencies involved in nutrition efforts to build upon already existing programs?

Dr. CROSS. Yes, we are coordinating our efforts. An interagency working group on food safety education, now in its third year, has planned joint efforts and seen to it that FSIS and ES projects are not duplicative. We also have communicated regularly and are aware of each other's activities. The Extension Service has pretested some of our consumer education publications and assisted us in our efforts to reach at-risk populations. We have, in many of our publications, listed Extension Agents as public contacts for information. Over 2,500 of the callers on our hotline were referred to us by the Extension Service, and we in turn, referred 600 calls to the Extension Service.

RISK ASSESSMENT

Mr. DURBIN. You are appointing a team to identify and quantify risks through structured risk assessment. Explain what this is in further detail and tell us who will serve on the committee.

Dr. CROSS. Risk assessment is a complex scientific process which has been successfully utilized in other federal agencies to provide support for management decisions. Quantitative risk assessment organizes and interprets scientific information, including the acknowledgment and documentation of uncertainties, and presents it in concise and organized formats to facilitate informed decision making. FSIS plans to use this scientifically credible process to provide a solid foundation for a new coordinated risk analysis program. The committee, yet to be organized, will consist of a multidisciplinary panel of veterinary pathologists, human and veterinary epidemiologists, and public health experts.

AGENCY STRATEGIC PLAN

Mr. DURBIN. In your statement you state that your agency is undergoing a comprehensive revision of its strategic plan, the first since 1986. What changes in the agency resulted from the 1986 revision?

Dr. CROSS. The 1986 strategic plan, FSIS Future Agenda: Response to the NAS Recommendations, sought to modernize meat and poultry inspection and chart a new future based on recommendations from the 1985 National Academy of Sciences report, Meat and Poultry Inspection: The Scientific Basis of the Nation's Program. At that time, as part of the its strategic planning process, FSIS reviewed each recommendation, evaluated its relevance to the Agency's responsibilities and capabilities, and determined a course

of action for change. The resulting Future Agenda organized the NAS recommendations into 10 subject areas—"Areas of Emphasis"—which have guided the Agency's planning activity since then.

It is recognized that inspection in 1993 is basically the same system that NAS first reviewed. However, FSIS has made improvements. For example, there are in place new quick tests to determine drug residues in livestock. Processing inspection tasks have been identified, clarified and ranked according to risk on a qualitative basis. Task frequency is now based on these qualitative risk assessments. The Agency conducts greatly expanded microbiological testing and HACCP concepts are being thoroughly tested in pilot plants.

Mr. DURBIN. When do you expect a final strategic plan?

Dr. CROSS. The Agency's strategic plan has two tracks. Track I seeks to continuously improve the current organoleptic meat and poultry inspection system. Track II is more complex, since it will set out the ideal regulatory system for meat and poultry, looking far beyond the parameters of the current system and the thinking that went into the current system. Following public comment, FSIS hopes to finalize Track I during the current calendar year. Track II will take longer, maybe as long as several years, as the Agency designs and tests new systems.

AGENCY STRATEGIC PLAN HEARINGS

Mr. DURBIN. You plan to hold regional hearings beginning in April of this year here in Washington. These hearings are to seek public comments on your strategic plan. How many hearings will you hold, where will they be held, and who will be invited to testify?

Dr. CROSS. Our plans for holding hearings are still in the developmental stage. I will be happy to forward that information to the Committee when it is available.

RELATIONSHIP-BY-OBJECTIVES

Mr. DURBIN. Tell us about the Relationship-By-Objectives activity. What is it and what are the problems you are having with the inspectors' union?

Dr. CROSS. Relationship-By-Objectives is a process that blends organizational development and behavioral science with labor-management relations to surface or get at what is behind grievances, Unfair Labor Practices and other Labor Management Relations problems. The process attempts to deal with the attitude of the parties in handling grievances and problems rather than the specifics of the grievances and problems themselves. The desired outcome is to modify the behavior of the parties to allow for a more open, honest and cooperative labor management relationship.

FSIS Management and the National Joint Council have recently met and agreed upon an RBO plan which will be implemented on a trial basis in the near future. We hope that this will reduce the problems that have occurred in the past due to an adversarial relationship that has made agreement on actions difficult to achieve.

AGENCY COMMITTEES

Mr. DURBIN. You have established two committees in support of improving labor relations, the Trust-building Committee and the Internal Communications Committee. Describe these committees in further detail, including who serves on them, how often they meet, their objectives, and the cost to operate each.

Dr. CROSS. The Trust Committee is an eight member committee comprised of four Council Presidents from the National Joint Council and four Agency management officials. The committee has only met once so it is still in its evolution stage in terms of its goal and purpose. However, the primary reason for its being formed is to find ways to reduce or eliminate barriers of trust between the union and management so as to create a more open, harmonious environment. The committee had been put on hold until the Relationship-By-Objectives issue was resolved. However, interest in the committee has been recently renewed. It will probably begin to meet again on a quarterly basis in the very near future—at least by this Spring. Estimated cost of the committee is \$3000-\$3500 per meeting which consists primarily of travel costs of the Council Presidents.

The FSIS Working Group on Employee Communications, led by Donald White, Associate Administrator, was established as recommended by the Management Evaluation Team, to improve the effectiveness of employee communications throughout the Agency. Each FSIS program and staff has appointed one or more representatives to the group. The National Joint Council, the National Association of Federal Veterinarians and the Association of Technical and Supervisory Professionals have also appointed representatives to the group. The Working Group is charged with developing a plan for a system that fosters an open, active and timely exchange of information, ideas and concerns between and among every employee in FSIS. "Employee" includes the Administrator, inspectors, clerical and administrative staff—all FSIS personnel at all levels and all locations. The group was formed October 1, 1992 and meets every four to six weeks. It is scheduled to complete its work on or before September 30, 1993. The estimated cost of the Working Group is \$4,000 per meeting, primarily the cost of travel for the two union representatives and the two employee organization representatives in the group.

NATIONAL LABORATORY ACCREDITATION PROGRAM

Mr. DURBIN. The Food and Drug Administration is establishing standards that the Agricultural Marketing Service will use in certifying labs that test for chemical residues on agricultural products in its National Laboratory Accreditation Program. Are you coordinating your efforts with those of FDA to avoid a duplication of effort?

Dr. CROSS. Standards development for the National Laboratory Accreditation Program (NLAP) by the Food and Drug Administration is being closely coordinated with USDA's Agricultural Marketing Service and Food Safety and Inspection Service. The Agricultural Marketing Service, as described in a memorandum of understanding signed by AMS and FSIS, has primary responsibility for

developing the necessary regulations to implement the NLAP. Through the combined efforts of FDA, AMS, and FSIS an advance notice of proposed rulemaking has been published and comments received have been reviewed by all three agencies. Meetings to discuss individual agency progress and status reports, and planning for regulation development have been held on a regular basis as needed. A part of these meetings is devoted to discussion on strategies and approaches for rulemaking. The result of these joint efforts should enable USDA and FDA to develop standards acceptable to all parties.

Mr. DURBIN. The Agriculture Authorizing Committee passed a technical amendments bill last year which established user fees for laboratory accreditation. Have regulations been established to collect these user fees?

Dr. CROSS. Regulations concerning the establishment of user fees for laboratory accreditation have been drafted by FSIS and are currently under review within the Administration.

Mr. DURBIN. What is the fee charged per accreditation?

Dr. CROSS. This is, of course, still under Administration review. However, the current costs to FSIS for this program are about \$3,500 per accreditation. The law requires the recovery of these costs.

Mr. DURBIN. How were these charges derived?

Dr. CROSS. A cost analysis determined the current cost to administer and maintain the laboratory accreditation program to be about \$1 million per year. These costs include Agency personnel, testing equipment, supplies, travel for on-site reviews, preparation of accreditation and check samples, and preparation and mailing of split samples.

Mr. DURBIN. What effect has the collection of user fees had on the number of accreditations performed?

Dr. CROSS. User fees will not be charged until the final regulations are approved and published in the Federal Register. We would expect that some laboratories, that do not do a large volume of work under this program, would choose to drop out of the program rather than pay an accreditation fee.

Mr. DURBIN. What effect will this have on the workload of your own laboratories?

Dr. CROSS. We do not anticipate any significant effect. The workload of those laboratories that choose not to continue in the program may well be picked up by those that will be accredited.

Mr. DURBIN. Will labs be accredited on an annual basis?

Dr. CROSS. Laboratories, once accredited, remain in the Accredited Laboratory Program so long as they meet the performance criteria required by FSIS. This has the effect of a continuous renewal of accreditation. Accreditation, therefore, is reaffirmed not only annually, but throughout the year as well. The accreditation fee would be paid annually.

Mr. DURBIN. How much do you expect to collect in fiscal year 1993?

Dr. CROSS. When the regulation is implemented, we expect to collect approximately \$1,000,000 annually. The proposed regulation is under administrative review and we are uncertain of what the effective date will be or the level of receipts in fiscal year 1993.

Mr. DURBIN. How many labs do you plan to accredit in fiscal year 1993?

Dr. CROSS. About 240 laboratories; however, there is no target number. The Agency's Accredited Laboratory Program is a voluntary program, and FSIS will accredit those that apply and meet the qualifications. Some laboratories may apply for several accreditation programs which brings the total number of accreditations to about 300 per year.

Mr. DURBIN. How does this compare to previous years?

Dr. CROSS. During fiscal year 1992, there were about 215 accredited laboratories in the Accredited Laboratory Program. As of March 1993, there are about 240 accredited laboratories, a net increase of 25 laboratories.

TECHNICAL SUPPORT LABORATORIES

Mr. DURBIN. FSIS operates three technical support labs and a methods development lab. Describe for us in more detail what each lab does?

Dr. CROSS. FSIS operates a network of Technical Support Laboratories to provide analytical services for FSIS activities. The laboratories are the Eastern laboratory, located in Athens, Georgia; the Midwestern Laboratory, located in St. Louis, Missouri; and the Western Laboratory, located in Alameda, California. We augment the analytical capacity of these laboratories by contracting with two private laboratories—Webb Technical Group, Inc., located in Raleigh, North Carolina and NDRC Laboratories, Inc., located in Houston, Texas.

In addition to the three Technical Support and two contract laboratories, FSIS maintains a laboratory in Beltsville, Maryland that provides methods development and special project support in microbiology, pathology and serology.

The FSIS Technical Support Laboratories determine the presence of food additives, and environmental and drug contaminants; determine the nutritional value of meat and poultry products and identify economic fraud; provide diagnostic services to identify disease, parasites, and related conditions; conduct microbiological investigations on quality and safety of meat and poultry products; and provide, upon request from the FSIS field inspection staff, technical support in the areas of microbiology and pathology through on-site visits. They support a major FSIS residue monitoring and surveillance program intended to prevent animals and poultry containing illegal drug and chemical residues from entering commerce, and a similar, but more modest, microbiological monitoring and surveillance program in direct support of FSIS inspection operations.

The Microbiology Methods Development Laboratory in Beltsville, Maryland is responsible for developing, or selecting and evaluating, suitable laboratory reference or screening methods for the detection and enumeration of microorganisms of public health significance in the meat supply, for the detection of extraneous materials,

the detection of antimicrobial agents, and for the identification of animal species. The laboratory is also involved in developing rapid tests for in-plant use and testing methods for use in the Technical Support Laboratories. It provides laboratory support for special investigations, conducts quality assurance programs for other microbiology laboratories, and provides technical guidance to the Microbiology Sections of the Technical Support Laboratories.

Mr. DURBIN. What is the staff level and operating cost of each?

Dr. CROSS. In fiscal year 1992, costs for the microbiology Method Developments Laboratory located at Beltsville, Maryland was \$2,294,000 and 26 staff years. The cost of the three Technical Service Laboratories in fiscal year 1992 was \$12,557,000. I will provide for the record the cost of each of the three Technical Service Laboratories.

[The information follows:]

Laboratory	PFT Staff- years	Dollars
Eastern.....	74	5,250,000
Midwestern.....	59	3,947,000
Western.....	51	3,360,000
Total.....	184	12,557,000

Mr. DURBIN. If you go to a more microbiological hazards testing inspection program, will these labs be able to handle the increased workload?

Dr. CROSS. The Agency has not made a determination about what would be the appropriate mix of government and private laboratory resources which would be optimal in supporting increased microbiological testing as part of a more modern inspection program. It is clear that it will be necessary to acquire additional testing resources.

ANALYTICAL TESTING RESOURCES

Mr. DURBIN. In fiscal year 1991 you contracted with two firms for analytical support at a cost of \$3,180,000. What type of support did these two firms provide?

Dr. CROSS. The contracts for analytical support during fiscal year 1991 were executed with Webb Technical Group, Inc. and NDRC Laboratories, Inc. These two firms provided food chemistry analyses, sulfonamide residue analyses, and chlorinated pesticide residue analyses, as well as implementation of the FSIS Accredited Laboratory Check Sample Program.

Mr. DURBIN. Were the contracts extended in fiscal years 1992 and 1993?

Dr. CROSS. Contracts with these firms were awarded in fiscal years 1992 and 1993.

Mr. DURBIN. What was the cost?

Dr. CROSS. In fiscal year 1992, the contract costs were \$2,335,000. The projected costs for fiscal year 1993 total \$2,575,000.

FIELD AUTOMATION AND INFORMATION MANAGEMENT

Mr. DURBIN. During fiscal year 1992, your agency initiated a field microcomputer demonstration project to examine the feasibility of using computer systems in the field and identify appropriate uses of such systems. What is the status of this project?

Dr. CROSS. The Field Automation and Information Management, or FAIM, demonstration project currently involves approximately 100 field personnel. Efforts to date have concentrated on two groups of users: first, Inspectors-In-Charge in large slaughter/com-bination plants, circuit supervisors, and Area Office management personnel in the Ames, Iowa area; and secondly, inspectors and managers in the Tacoma, Washington Import Field Office.

In the first group, approximately 65 microcomputers are in use, for applications such as electronic mail, access of technical references, word processing, time management, electronic transmission of lab results, and electronic entry and transmission of the Animal Disease Reporting System data.

In the second group, inspectors in the Import Field Office will be using a notebook computer to identify import reinspection assignments. The import inspection personnel will also be using the microcomputers for electronic mail, word processing, and tracking refused entry shipments.

Computer training has been provided at the Training Center in College Station for the personnel involved in the pilot test. In addition, six Council Presidents from the National Joint Council have received training and all eight Presidents have been equipped with portable computers.

Mr. DURBIN. What have you discovered to date?

Dr. CROSS. We have discovered that the automation of our communications between the inspectors in the field and supervision, laboratories and management data bases will contribute greatly to improving Agency productivity and inspection effectiveness.

GRANTS TO STATES

Mr. DURBIN. Update the table that appears on page 561 of last year's hearing record showing a cost breakdown, by State, of the Grants to States program to reflect fiscal year 1992 actuals and fiscal year 1993 estimates.

Dr. CROSS. I will provide a table showing what we have budgeted for the Grants to States Program costs for fiscal years 1992 through 1994.

[The information follows:]

[Dollars in thousands]

State	1992	1993	1994
Alabama	\$1,222	\$1,135	\$1,166
Alaska	345	356	366
Arizona	471	491	504
Delaware	301	345	353
Florida	1,930	1,839	1,889
Georgia	2,307	2,364	2,428
Hawaii	1,396	1,269	1,303
Illinois	3,824	3,750	3,851

[Dollars in thousands]

State	1992	1993	1994
Indiana	1,699	1,609	1,652
Iowa	992	970	996
Kansas	1,183	1,224	1,257
Louisiana	1,579	1,584	1,627
Mississippi	947	894	918
Montana	312	316	325
New Mexico	374	393	404
North Carolina	2,580	2,668	2,740
Ohio	4,224	4,306	4,422
Oklahoma	1,570	1,558	1,600
South Carolina	1,013	1,073	1,102
South Dakota	367	367	377
Texas	4,311	4,660	4,786
Utah	600	612	629
Vermont	258	265	272
Virginia	1,259	1,246	1,280
West Virginia	474	559	574
Wisconsin	2,281	2,429	2,495
Wyoming	192	240	246
Total	37,981	38,522	39,562

FOOD SAFETY REVIEW

Mr. DURBIN. In fiscal year 1991, it cost your agency \$103,000 to produce and distribute 12,000 copies of a quarterly journal entitled FSIS Food Safety Review. This averages to be about \$8.60 per document. Who reviews copies of this document and what type of information is included?

Dr. CROSS. The 1991 cost of some \$103,000 for Food Safety Review included first-time design, layout, and photography costs for the new magazine. Initial distribution was primarily to food service and public health professionals. Copies were also distributed at conventions, recruitment activities, and similar events. Since then, the distribution list has grown as people have seen and shared the magazine. Production costs have decreased as circulation has increased. The magazine's distribution list includes 2,800 FSIS Inspectors-In-Charge, circuit supervisors and state program directors; other federal agencies, including CDC, FDA, Office of Consumer Affairs, and Library of Congress; state veterinarians, state agriculture departments and state public health departments; public health, agriculture and food related departments in about 510 universities; laboratories and quality assurance departments of 182 corporations; 54 hospitals; 43 military food installations; 39 medical facilities; 25 media and information suppliers; 511 individuals including dietitians; and food consultants; 18 advocacy groups; 95 trade and professional associations; 650 members of the American Association of Food Hygiene Veterinarians; 100 copies to Food Safety Consortium at the University of Arkansas, Iowa State University and Kansas State; and 50 copies to House and Senate Agriculture Committees.

Mr. DURBIN. Are user fees collected for any portion of this journal?

Dr. CROSS. No user fees are charged for Food Safety Review.

Mr. DURBIN. What was the cost of producing this document and how many copies were distributed in fiscal year 1992?

Dr. CROSS. The FY 1992 cost for Food Safety Review was \$52,100. This represented production and mailing costs for 20,000 copies.

EXPORT LIBRARY SYSTEM

Mr. DURBIN. You operate an export library system which is an on-line computer system that provides users information on foreign country input requirements for meat and poultry products. Who uses this system and how many calls did you receive in fiscal year 1992?

Dr. CROSS. The export library system is a computer database that provides up-to-date information on foreign country requirements for export of U.S. meat and poultry products. This system is used by the U.S. export industry and FSIS personnel responsible for issuing export certificates. There were 2,080 calls to the system in fiscal year 1992. Of this manner, 2,040 were from industry.

Mr. DURBIN. You stated during last year's hearing that this was the first step toward total automation of the export certification process by which exporters could obtain certification for their products via computers. Would you explain this procedure in further detail for us?

Dr. CROSS. Centralization and automation of the export certification process is to be dedicated to assisting U.S. exporters in obtaining certification for shipments of the meat and poultry products into international markets. The existing process is slow, outdated, inefficient, and is considered by industry officials to be a barrier to the exportation of meat and poultry. The focus of the modernization effort is a centralized computer system. It will provide the U.S. industry officials with timely and up-to-date information on foreign country requirements, establish a central point for issuance of export certificates and the transfer of this information to the inspection officials of the destination country, and will establish a risk-based system for monitoring the performance of exporters. The exporter will be required to assure that any special facilities, equipment or procedures required by the foreign country have been met before an export certificate will be issued. FSIS inspection personnel will be required, as they are now, to assure the products meet U.S. requirements. The exporter will be responsible for knowing the requirements of the country to which the product is being exported and for ensuring that any additional requirements above and beyond U.S. requirements have been met. A performance-based compliance program will be implemented for those establishments exporting meat and poultry products. It will establish disincentives for failure to comply with the export regulations and will establish a standard fee for preparation of export certificates which reflect the performance of additional inspection procedures beyond those required for domestic inspection.

The centralized and automated export certification system is designed to improve compliance with foreign country facility, equipment, animal health and procedural requirements, provide ready access and uniform interpretation of foreign country requirements,

expedite transmission of documents and focus compliance resources on areas most in need of attention.

DIMETRIDAZOLE

Mr. DURBIN. What is the status of the issue between Canada and the United States regarding the use of the drug, Dimetridazole?

Dr. CROSS. Dimetridazole (DMZ) was approved in the U.S. in 1964 for the treatment of histomoniasis in turkeys. At that time, FDA required less toxicological testing to demonstrate safety than it does now. There is now greater concern about public health significance of chronic low level exposure to drug residues. After FDA proposed withdrawing approval for DMZ based on the belief that further toxicity studies would not confirm the drug's safety and in view of the extensive unapproved use in swine, the manufacturer of DMZ decided to withdraw its product from the U.S. market rather than go to a hearing on FDA's proposal.

On December 11, 1987, FSIS required that all exporting countries must put in place control measures to prevent residues of DMZ in products exported to the U.S. Such assurances cannot be provided by analytical testing alone, so other control measures must be implemented. USDA/FSIS has determined that adequate assurances cannot be provided if DMZ is used in swine within 5 days of slaughter or in animals of 120 pounds or more. FDA and Health and Welfare Canada are continuing to discuss this matter.

EUROPEAN COMMUNITY

Mr. DURBIN. What is the status of the section 301 petition filed by U.S. meat and poultry groups with the U.S. Trade Representative concerning the EC ban on all imported beef and pork from the United States?

Dr. CROSS. The U.S. Trade Representative announced on November 13, 1992, that the U.S. and the EC had signed an agreement ending the dispute over the Third Country Meat Directive. This action removed the Section 301 petition from active status. However, the petitions may be reactivated by the trade representative in the event it is determined the EC does not meet its obligations under the agreement.

Mr. DURBIN. As I understand it, an agreement has been reached in the EC Third Country Directive which establishes requirements for red meat slaughter plants that want to export their product to the EC. Would you describe the agreement in detail, including the impact it will have on exports?

Dr. CROSS. In May of 1991, that U.S. and EC agreed to an "exchange of letters", a formal way of agreeing to resolve the trade dispute. Both parties agreed to a plan to reinspect and relist U.S. plants for export to the Member States and examine U.S. and EC inspection requirements for equivalence. Several plants were relisted.

A joint U.S.-EC veterinary group assembled to examine the equivalence issue identified 60 differences between the U.S. and EC inspection requirements. The group resolved many of the issues and made recommendations on how to settle the outstanding issues.

The final agreement, signed in November 1992, adopts the veterinary group's findings on all points and established a schedule for completing action on the pending issues. In addition, the agreement sets interim requirements for determining eligibility for U.S. swine and cattle slaughter facilities to supply fresh/frozen meat to the EC. The interim requirements take place immediately while the few remaining contentious issues are resolved.

The EC has agreed to clarify their requirements and assure uniform interpretation by all personnel in their inspection service. USDA/FSIS has agreed to assume an enhanced role in the implementation of the EC requirements. Additional U.S. slaughter plants have been listed since the signing of the agreement and both inspection services are proceeding in a highly cooperative manner to complete their obligations according to the agreement.

PROGRAM WORKLOAD

Mr. DURBIN. Please update the table that appears on page 572 of last year's hearing record showing the volume of meat and poultry inspected at slaughter to reflect the separate cost associated with each and include fiscal year 1992.

Dr. CROSS. I will be happy to update the table for the record.
[The information follows:]

VOLUME AND COST OF MEAT AND POULTRY INSPECTED AT SLAUGHTER

[Dollars in millions]

Year	Millions of pounds		
	Red Meat	Poultry	Cost
1981	36,963	20,305	171
1982	35,873	20,575	180
1983	35,738	21,179	187
1984	36,654	21,546	195
1985	36,193	22,980	210
1986	37,042	24,273	203
1987	36,300	25,700	212
1988	36,885	28,213	225
1989	37,400	30,268	237
1990	38,413	31,932	248
1991	36,190	33,959	262
1992	38,727	35,679	282

PROGRAM ENFORCEMENT

Mr. DURBIN. Also, update the table that appears on the same page showing the number of FSIS enforcement activities to include fiscal year 1992.

Dr. CROSS. I will be happy to provide an update for the record.
[The information follows:]

FSIS ENFORCEMENT ACTIVITIES

	1987	1988	1989	1990	1991	1992
Cases received	959	1,139	1,180	1,060	1,360	1,490
Cases filed with hearing clerk.....	5	10	10	7	4	13

	1987	1988	1989	1990	1991	1992
Prosecutions.....	33	34	29	34	35	51
Civil injunctions.....	3	1	2	0	1	0
Seizures.....	4	0	4	3	0	0
Warning letters.....	1,341	1,533	1,704	1,561	1,842	1,868
Administrative orders.....	8	13	5	6	6	11
Detentions.....	992	785	1,019	1,126	883	881
Pound detained (millions).....	12.5	11.5	8.2	8.3	16.8	/1/ 85.6
Recalls monitored.....	43	17	17	28	27	38
Planned reviews.....	10,349	9,887	10,123	10,003	10,712	11,893
Random reviews.....	32,617	46,351	50,243	46,228	52,704	45,184
Total reviews.....	42,966	56,238	60,366	56,231	63,416	57,077

¹ In fiscal year 1992, one detention involved 50,412,176 pounds of products and another detention involved 18,991,352 pounds. These two detentions, when added together with our more normal detentions, resulted in an extraordinary large tonnage of detained product for the year. This exceedingly large amount is not foreseen to be the annual norm.

DONALD L. HOUSTON TRAINING CENTER

Mr. DURBIN. The contract for the training center located at Texas A&M was up for renewal last year. Has the contract been renewed or was the training center moved to another location?

Dr. CROSS. Last year, the program and contracting officials reviewed the proposals received in response to the FSIS solicitation. Upon completion of their review, the contract was awarded to Texas A&M.

I should note, I have distanced myself completely from this contract since it involves Texas A&M. In accordance with my agreement with the Department of Agriculture, I will have no role in any matters involving Texas A&M, given my affiliation with the University.

Mr. DURBIN. What is the cost per year to operate the center?

Dr. CROSS. The current contract with Texas A&M is for \$2,781,221 in 1993 and was for \$2,966,522 in 1992. The contract covers the cost of training and housing students.

Mr. DURBIN. How many employees were trained at the center during fiscal year 1992 and how many do you anticipate training in fiscal year 1993?

Dr. CROSS. There are twenty-four different courses taught at the Donald L. Houston Training Center which cover a wide spectrum of technical and managerial subjects. During fiscal year 1992, 1,388 students attended the courses at the Center. In fiscal year 1993 FSIS plans to send about 1,400 students to the Center for training.

IMPORT INSPECTOR TRAINING

Mr. DURBIN. On-site training of import inspectors is provided as opposed to receiving training at the center. Do you plan to continue providing this training on location?

Dr. CROSS. In October a group of newly hired import inspectors participated in a training class at Jacksonville, Florida. We have found it to be effective to combine classroom instruction with on-site training and correlation of inspection procedures at import facilities, and we will be continuing this on-site training for both new and veteran import inspectors.

Mr. DURBIN. What is the cost of doing this versus the cost to do it at the training center?

Dr. CROSS. The cost of on-site training is approximately the same as using the FSIS training center. Travel costs would be relatively the same, but we do not incur the tuition costs that are required for training at College Station.

Mr. DURBIN. How often are import inspectors provided training?

Dr. CROSS. Import inspectors are usually hired from the ranks of the Agency's domestic inspection force, and have, therefore, already had extensive training and experience prior to joining the import program. The new import inspectors are provided with on-the-job training by the Import Field Office Supervisor and the Import Assistant. They also attend an on-site training class sometime during the first two years of their employment. On-the-job training continues as necessary to update employees and familiarize them with new procedures.

Mr. DURBIN. Do you plan to extend this type of training to other areas?

Dr. CROSS. A task force is now developing new approaches to training including the designation of on-site training locations where all import inspectors and documents examiners would be trained immediately upon employment with the Agency.

PROGRAM WORKLOAD

Mr. DURBIN. Last year, you provided the Committee a table showing the number of birds inspected each year from 1981 to 1991. Would you update this table to include fiscal year 1992?

Dr. CROSS. I will be happy to provide that information for the record.

[The information follows:]

POULTRY CARCASSES INSPECTED PER FISCAL YEAR

[In millions]

Year	Young chickens	Mature chickens	Turkeys	Ducks	Other
1981	4,058	205	164	18	1.4
1982	4,079	196	161	19	1.0
1983	4,156	190	166	21	1.1
1984	4,202	173	163	20	1.3
1985	4,427	189	172	21	1.1
1986	4,593	187	192	23	1.2
1987	4,929	193	223	23	1.6
1988	5,149	197	237	24	3.4
1989	5,422	184	244	22	3.0
1990	5,787	184	267	21	3.6
1991	6,146	171	278	21	5.5
1992	6,369	181	280	18	5.1

MEAT AND POULTRY LABELS

Mr. DURBIN. What is the status of your initiative to automate the label approval process?

Dr. CROSS. FSIS completed a requirements analysis for the automated Label Analysis, Tracking, and Information System (LATIS) in September 1991, and has two projects.

The first is for revision of the label application form. This will provide FSIS with a redesigned label application form suitable for optical character recognition. A goal of the new form is to maximize form processing efficiencies while minimizing the information collection burden on applicants. To date, FSIS has completed a mock-up of the form and the corresponding instructions. We plan to test the draft label application form with industry, evaluate the industry comments, and test the form's suitability to electronic processing in a simulated production environment. We expect completion of this activity by the 3rd quarter of fiscal year 1993. Secondly, FSIS is currently exploring both in-house design of a system and private sector options.

Mr. DURBIN. Based on an OIG report which stated that 25 percent of meat and poultry labels approved by USDA contained errors, your agency instituted a formal training program and monthly quality assurance report. This has resulted in the error rate being reduced to approximately 10 percent. What have you done to further reduce this rate?

Dr. CROSS. We are continuing to enhance our revised in-house quality assurance procedures, which statistically select reviewed labels for secondary review. Errors are classified into two categories—general and specific. General errors are those that are characterized as not serious, while specific errors may be characterized as having a serious effect on comprehension and usability of the label. Review specialists are instructed to focus mostly on specific errors. Each category is now assessed daily, from which data is tabulated and incorporated into a monthly management report. These reports are used by management officials to correct any knowledge deficiencies or other administrative procedures which would decrease efficiency. Consequently, error rates fluctuate between 5 and 10 percent.

Mr. DURBIN. What effect will the automated approval process have on error rates?

Dr. CROSS. The planned LATIS system is being designed to decrease error rates. Four specific features of LATIS should improve accuracy of the review process.

First, we are improving the application process. A new form that can be electronically scanned is being developed, which will enable us to automate many calculations that must now be performed manually.

Second, reference files are being converted to electronic formats and searches will be conducted using specialized software customized for answering reviewer questions.

Third, with automation, a greater number of application and reviewer characteristics can be used as a basis for quality control sampling. This allows focusing on those characteristics which cause problems during review.

And finally, with improved indexing, retrieval, and linking of applications, reviewers can quickly access earlier transmittals when necessary to verify information.

Mr. DURBIN. Last year, you provided the Committee with two tables. One showed the staff years and cost of the labeling program and the other showed the number of labels processed and approved.

Would you please update both of these tables to include fiscal year 1992?

Dr. CROSS. I will be happy to provide an update of those two tables for the record.

[The information follows:]

LABELS PROCESSED AND APPROVED

Year	Processed	Approved
1981.....	118,540	101,280
1982.....	120,315	102,596
1983.....	115,430	100,271
1984.....	151,591	129,852
1985.....	134,432	114,938
1986.....	149,019	129,819
1987.....	158,082	135,176
1988.....	182,403	154,570
1989.....	180,404	154,799
1990.....	184,887	160,258
1991.....	210,957	191,018
1992.....	192,330	173,801

STAFF YEARS AND COST OF LABELING PROGRAM

Year	Staff years	Costs
1981.....	35	\$979,415
1982.....	39	1,160,382
1983.....	38	1,239,659
1984.....	38	1,288,850
1985.....	40	1,548,891
1986.....	39	1,438,084
1987.....	42	1,796,385
1988.....	45	1,785,065
1989.....	42	1,730,913
1990.....	41	1,920,921
1991.....	37	2,167,177
1992.....	30	1,482,392

Mr. DURBIN. Of the total staff devoted to labeling activities, how many are actually reviewing labels and how many are support staff?

Dr. CROSS. There are 12 staff members actually reviewing labels. An additional 12 establish standards, and provide quality assurance reviews. They also receive, distribute and file all label applications. Six staff members serve in a supervisory capacity.

ORGANIC FOODS PRODUCTION ACT

Mr. DURBIN. Are any funds being devoted to the Organic Foods Production Act in fiscal year 1993? If so, how much?

Dr. CROSS. We have no funds earmarked for this initiative in fiscal year 1993.

SALMONELLA

Mr. DURBIN. Two studies initiated in 1990 on *Salmonella* contamination were due to be released in November 1992 and January 1993. What were the results of these two studies?

Dr. CROSS. A benchmark study on the occurrence of *Salmonella* on whole broiler carcasses after chilling was conducted from 1982 to 1984, using the whole bird rinsing technique originally used in a 1967 study. The 1982-1984 study found *Salmonella* on 35.2 percent of the broilers analyzed. A similar study was conducted from 1990 to 1992. This study found *Salmonella* on approximately 25 percent of the broilers analyzed, a reduction of approximately 10 percent. Of the carcasses found positive, approximately 90 percent contained 30 or less salmonellae per carcass and 99 percent contained 300 or less.

Between 1990 and 1992, a study was conducted to compare the occurrence of *Salmonella* in 25 gram portions of raw beef, raw pork, raw chicken and raw turkey from comparable animal tissues. This study was initiated to allow comparisons between species. In this study, *Salmonella* was recovered from approximately 1.4 percent of the beef samples, 4.8 percent of the pork samples, 15.7 percent of the chicken samples, and 8.5 percent of the turkey samples.

Mr. DURBIN. Also initiated in 1990 was a study in Puerto Rico on the effectiveness of feeding chicks harmless bacteria that will compete with and inhibit the *Salmonella* bacteria. What is the status of this study?

Dr. CROSS. The study of feeding newly-hatched chicks a pathogen-free bacterial culture to inhibit colonization of the chicks with pathogens was done three times in Puerto Rico during 1990-1991. This procedure slightly reduced the prevalence of *Salmonella* in treated chicks when compared to untreated chicks in a control group raised on the same farms at the same time in the Puerto Rico trials. A recently developed technique will inoculate chicks with competitive exclusion (CE) organisms by feeding the chicks a culture in their first diet. This will significantly reduce the cost of administering CE treatment and will also use a defined culture. The use of a defined culture would be a major breakthrough. This approach, if proven effective, will enhance the use of CE to reduce pathogens in ready-to-cook poultry due to ease of administering the inoculum. The defined culture has appeal to regulatory agencies because it minimizes unknown variables. This procedure will initially be tested cooperatively in Puerto Rico by the Agricultural Research Service and Food Safety and Inspection Service in May 1993.

CARCASS SPRAYS

Mr. DURBIN. Your agency has recently approved the voluntary use of preevisceration, antimicrobial carcass sprays in livestock slaughter operations. Would you explain this in further detail?

Dr. CROSS. The Agency was petitioned by the American Meat Institute to permit the use of pre-evisceration carcass sprays. In response to the petition the Agency reviewed the literature relevant to this technology and determined that it could be approved, providing certain controls were in place. The Agency then issued a Di-

rective which defined the conditions under which these sprays could be used in official establishments. I will include a copy of the Directive for the record.

[The information follows:]

UNITED STATES DEPARTMENT OF AGRICULTURE
FOOD SAFETY AND INSPECTION SERVICE
WASHINGTON, D.C.

FSIS DIRECTIVE

6340.1 | 11/24/92

ACCEPTANCE AND MONITORING OF PRE-EVISCERATION CARCASS SPRAY SYSTEMS

I. PURPOSE

This directive provides guidance to FSIS employees about: (1) how to evaluate and respond to livestock establishments' requests for approval of a Pre-Evisceration Carcass Spray System; and (2) how to monitor such a system when operational.

II. [RESERVED]

III. [RESERVED]

IV. REFERENCES

MPI Regulations, Parts 308 and 310
FSIS Directive 11,000.1, Chapter 20
MPI Manual, Subpart 10-A

V. ABBREVIATIONS

The following abbreviations will be used throughout this directive:

PECS - Pre-Evisceration Carcass Spray
PQC - Partial Quality Control
CCP - Critical Control Point
PI - Plan of Inspection
IIC - Inspector-in-Charge

VI. DEFINITION

Pre-Evisceration Carcass Spray System. A PECS system consists of: (1) a low pressure water rinse to remove incidental foreign material before it dries and becomes firmly attached to the surface; and (2) a second spray with a solution of water and organic acid(s) to reduce the microbial population and retard further microbial growth.

DISTRIBUTION: All Inspection Offices, T/A Inspection Officers, Plant Mgt., T/A Plant Mgt., TRA, ABB, PRD, AID

S&T/SISPD

VII. POLICY

A. FSIS has determined that a properly operated PECS system can enhance production procedures designed to produce a carcass with minimal contamination. Such a system is most effective and is appropriate for use only in establishments maintaining sanitary dressing practices. In no case may a PECS system substitute for any requirements of Parts 308 or 310 of the MPI Regulations concerning sanitation and post-mortem inspection.

B. To ensure product is not adulterated as a consequence of an establishment's use of a PECS system, there will need to be a written and accepted PQC program that covers the CCPs in the PECS system. Inspection personnel will need to monitor the PECS system/PQC program with a PI.

VIII. Guidelines for Establishing and Operating an Acceptable PECS System/PQC Program

A. The following are guidelines for establishing and operating a PECS System/PQC Program:

1. The PQC program should be documented and on file in the establishment, and the name of the establishment official responsible for administering the PQC program should be included. The following should be included in the PQC program documentation:

- a. A list of all CCPs;
- b. A list of elements within each CCP;
- c. A measurable goal or standard for each element;
- d. A system for measuring and checking performance at each element to ensure standards are met;
- e. A description of the action taken when standards are not met;
- f. A system of documenting the checks and actions; and
- g. Information about the type and concentration of organic acid(s) solutions used should be provided. Also, the temperature, volume, and pressure of application of all water and organic acid(s) solutions used in the PECS system should be stated, and the length of time carcasses are exposed to sprays should be included in the information.

FSIS Directive 6340.1

2. Equipment used for the PECS system should be accepted by the Facilities, Equipment, and Sanitation Division.

3. The spray pressures should be limited to 50 psi.

4. The establishment should demonstrate that it consistently dresses carcasses correctly before their entry into the PECS system. The bung should not be dropped, the anal sphincter muscle should be intact, and the brisket or midline should not be opened. Measures should be taken to remove or prevent water accumulation in the bung depression before the bung is dropped.

5. None of the following conditions should exist for carcasses that are to be sprayed:

- a. open abscesses and septic bruises;
- b. the presence of parasites or parasitic lesions;
- c. U.S. Suspect animals;
- d. animals with lactating udders or pizzle cords;
- e. no single visible contamination or dressing defects greater than 1 square inch; or
- f. identifiable feces.

6. Controls should be in place to ensure that carcass spraying does not result in weight gain at the point in the dressing process that a hot weight is determined. This requirement may be met through use of historical data and/or in-plant test data and such data should be verified as necessary.

IX. Application and Acceptance of a PECS System/PQC Program

A. Establishments should send a letter requesting acceptance of a 60-day trial period for a PECS system/PQC program, based on the guidelines in paragraph VIII. of this directive, together with supporting documents or information to the Regional Office, through established supervisory channels.

B. Request for a 60-day acceptance and trial period should address the following points:

1. The trial period should provide for a testing plan to demonstrate the effectiveness of the PECS system/PQC program.

2. The testing plan should provide for the following:

a. Random sampling of carcasses before entering the PECS system to determine if the establishment properly excludes carcasses from being sprayed which are ineligible under paragraph VIII. 4. and 5. of this directive;

b. Random sampling of carcasses to be sprayed to demonstrate that sprayed carcasses do not retain residual water weight as a result of the PECS-system.

3. During the 60-day trial period, comments by the IIC on plant tests and results should be made and forwarded through FSIS supervisory channels. The Regional Office should review and agree with these findings before full acceptance is granted.

X. Inspection Personnel Responsibilities for Monitoring an Accepted PECS System/PQC Program

A. Once a PECS system/PQC program is accepted, its operations are subject to FSIS inspection monitoring at a frequency to be determined by the IIC.

B. The frequency of monitoring should vary according to the degree of process control demonstrated by the establishment, weather conditions, or other risk factors affecting carcass hygiene. The precise monitoring tasks will be developed in the PI by the IIC based on the accepted PQC program.

C. If the conditions of use of the PECS system contained in this directive are not adhered to, the IIC may suspend its use subject to review through supervisory channels.



Deputy Administrator
Inspection Operations

ELASTIC NETTING

Mr. DURBIN. What is the status of the issue over the use of elastic netting on hams during the curing process and excessive levels of nitrosamines?

Dr. CROSS. In 1986, a Canadian researcher showed that cured meats cooked in elastic nettings contained volatile nitrosamines. This report stimulated the industry to reformulate the rubber in the nettings. Industry supplied data showing that the reformulated rubber formed no volatile nitrosamines of public health significance.

Unfortunately, a nitrosamine problem in ham netting was discovered to still exist in 1990. A court injunction halted the Agency's attempt to ban all elastic netting. In the subsequent court settlement, FSIS agreed not to take regulatory action except through a specific sampling regimen and the industry agreed both to reformulate the rubber thread and to petition FDA for approval of the reformulated rubber for food contact.

MEAT AND POULTRY IMPORTS

Mr. DURBIN. For the record, provide a ten-year table showing a breakout of the amount of meat and poultry products imported into the U.S., by country.

Dr. CROSS. I will provide the information for the record.
[The information follows:]

Meat and Poultry Products Imported into the United States by Country

IMPORTED MEAT AND POULTRY PASSED FOR ENTRY INTO THE UNITED STATES BY COUNTRY

COUNTRY OF ORIGIN	TOTAL POUNDS PASSED FOR ENTRY											
	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	
ARGENTINA	66,783,561	80,691,231	77,101,189	90,143,038	76,607,647	91,646,879	93,241,989	109,420,455	115,163,152	151,811,888	116,394,172	
AUSTRALIA	663,138,583	617,916,629	543,819,043	589,851,560	678,575,254	740,591,386	839,007,175	658,321,160	847,366,866	836,897,565	852,743,892	
BELGIUM	4,454,728	3,807,178	5,484,631	1,862,520	7,776,406	9,950,725	7,366,361	7,896,816	6,537,952	7,006,730	9,453,764	
BELIZE				146,901	275,756	30,838						
BRAZIL	46,730,700	74,694,718	81,469,802	74,732,630	47,341,607	48,774,156	65,573,575	43,866,389	25,603,686	4,066,656	43,996,523	
CANADA	405,266,548	413,477,139	551,071,985	632,055,542	642,262,903	690,079,028	690,801,491	703,580,447	675,935,799	678,037,456	763,066,108	
CROATIA												
COSTA RICA	45,782,644	29,682,475	43,397,813	51,563,177	72,603,222	54,519,627	53,020,971	44,567,007	40,650,616	47,876,658	2,323,909	
CZECHOSLOVAKIA	3,358,038	1,139,948	1,852,224	2,574,290	1,903,524	2,267,696	2,487,128	2,120,608	1,616,776	716,328	33,936,816	
DENMARK	126,483,789	140,135,632	285,111,054	336,857,838	269,551,605	274,842,812	271,099,489	195,527,398	230,341,544	217,299,934	145,318,223	
DOMINICAN REP.	10,369,445	7,967,708	1,002,760	17,641,423	25,816,539	20,140,144	31,463,413	25,730,389	27,892,194	36,588,717	13,460,691	
EL SALVADOR	2,654,003	3,561,961	3,138,918	1,959,440	606,416	1,734,878	2,258,802	2,675,356	1,744,735			
FINLAND		1,754,016	3,013,416	3,302,826	2,465,671	9,043,650	7,550,807	5,152,734	3,729,496	5,531,177	2,166,290	
FRANCE	552,908	724,793	743,861	574,410	601,526	586,777	503,911	442,727	350,172	335,013	426,193	
GERMANY	249,224	207,102	468,787	403,097	470,322	300,848	591,401	337,892	99,686	154,944	139,135	
GUATEMALA	6,216,692	18,342,593	19,438,436	28,001,563	8,922,534	17,722,224	22,654,740	34,908,121	41,628,873	28,524,143	14,890,944	
HAITI	1,030,789	875,681	47,356									
HONDURAS	33,776,864	33,194,508	22,005,251	13,276,809	21,822,414	17,849,255	21,911,216	19,307,924	23,022,681	26,053,177	35,245,531	
HONG KONG				691,022	804,749	817,571	932,964	865,502	1,096,076	1,098,240	1,086,340	
HUNGARY			30,388,216	37,850,811	32,167,693	34,509,745	32,358,146	18,721,627	22,586,041	27,809,518	14,699,412	
ICELAND	14,194,523	22,835,914	114,776	79,140	49,900	72,790	18,920	72,660	31,710			
IRELAND	4,036,478	10,316,131	4,405,096	5,167,332	2,456,209	1,686,379	500,723	493,274	599,257	784,129	1,212,085	
ISRAEL			947,019	1,777,912	2,556,596	2,531,011	1,677,499	1,297,125	913,889	925,044	723,226	
ITALY	73,804	201,242	180,080	207,319	227,366	95,260	39,334	607,776	953,110	1,159,101	921,865	
JAPAN									5,256	9,340	12,227	
MEXICO	691,346	3,047,357	167,898	21,960,387	8,574,930	12,691,183	17,332,155	115,140	2,100,337	1,380,371	986,374	
NETHERLANDS	19,932,473	22,286,023	25,736,988	409,094,535	393,649,556	439,442,889	496,409,424	16,179,856	17,717,460	20,644,254	16,218,565	
NEW ZEALAND	359,887,762	375,965,122	347,761,203	375,965,122	393,649,556	439,442,889	496,409,424	505,590,550	435,158,743	492,709,589	502,724,221	
NICARAGUA	28,101,737	26,393,961	11,133,772	9,605,688								
PANAMA	4,904,066	1,829,457	930,969	117,802								
POLAND	35,536,029	58,209,439	56,884,143	71,055,241	77,886,237	30,709,263	86,158,810	79,702,830	46,199,727	14,955,058	9,134,098	
ROMANIA	6,979,248	8,968,415	6,461,577	3,850,155	7,355,420	13,433,897	9,986,587	5,716,467	686,623	67,168	846,523	
SLOVENIA												
SPAIN												
SWEDEN												
SWITZERLAND												
TAIWAN	1,308,661	1,027,711	2,268,716	1,120,024	477,440							
UNITED KINGDOM												
URUGUAY	3,405,226	2,516,204	5,097,612	3,618,064	7,690,170	4,519,570	4,068,267	4,734,899	10,078,959	12,633,123	12,577,751	
YUGOSLAVIA	25,868,230	20,676,266	29,808,693	19,849,243	20,021,887	22,688,219	27,650,409	31,305,101	24,081,398	15,055,159	4,631,360	
TOTAL	1,921,641,672	1,983,236,354	2,177,074,156	2,448,894,076	2,437,117,022	2,619,518,987	2,811,661,278	2,542,636,781	2,625,355,750	2,644,660,167	2,617,723,278	

NATIONAL CORRELATION UNIT

Mr. DURBIN. The National Correlation Unit was established in fiscal year 1991 with fiscal year 1992 being the first full year in operation. What impact has this unit made in applying uniform standards to inspection procedures?

Dr. CROSS. To date, 70 correlations have been held, with participation by 650 of our approximately 958 in-plant veterinarians. We believe that these sessions have been effective in clarifying inspection requirements and providing all the participants with a better understanding of our expectations regarding application of the inspection regulations.

The National Correlation Center (NCC) was established for the purpose of correlating veterinary dispositions concerning pathology, and enhancing the scientific knowledge and skills being used by in-plant veterinary medical officers during dispositions on animal carcasses. These NCC sessions assure that veterinarians are uniform in disease diagnosis and consequently uniform on passing parts or all of an animal carcass for human food.

Mr. DURBIN. Is this team involved in the ongoing review of the inspection system?

Dr. CROSS. It is not. Reviews of the inspection system are carried out by the circuit and area supervisors, the regional staffs and by the Program Review Division of Regulatory Programs.

Mr. DURBIN. What was the cost, in both dollars and staff, to operate this unit in fiscal year 1992 and what are the estimates for fiscal year 1993?

Dr. CROSS. The fiscal year 1992 cost to operate the National Correlation Unit was \$436,504 with 5.6 associated staff years. In 1993 we estimate that it will cost about \$450,000 with about the same level of staffing.

STANDARDS FOR IMPORTED POULTRY

Mr. DURBIN. What is the status of a lawsuit filed by the National Broiler Council and the Mississippi Poultry Association concerning the implementation of a 1985 Farm Bill provision dealing with standards for imported poultry?

Dr. CROSS. The Federal Court in Mississippi found in favor of the National Broiler Council and the Mississippi Poultry Association concerning the interpretation of the 1985 Farm Bill amendment relating to the "same as" standard. The U.S. Government appealed the finding of the lower court. Oral arguments were heard in February 1993. The decision of the Appeals Court in New Orleans is expected sometime during May 1993.

MANAGEMENT REVIEW REPORT

Mr. DURBIN. An internal management review was initiated at the end of fiscal year 1991 and completed in fiscal year 1992. Are you using the results of this review in your current efforts to redevelop the inspection system and agency mission?

Dr. CROSS. Yes, the results of the Management Evaluation Team report have been thoroughly reviewed by senior managers and are being used to make continuous improvements in Agency management. The rethinking of the Agency's mission as well as an exten-

sive and highly participative strategic planning process can be directly attributed to recommendations from this management review.

FROZEN BEEF AND PORK TESTING

Mr. DURBIN. Beginning in fiscal year 1992, AMS is requiring all frozen ground beef and ground pork purchased for the school lunch program be tested for bacterial contamination. What type of testing is done?

Dr. CROSS. The Agriculture Marketing Service examines frozen ground beef and ground pork for the School Lunch Program, Department of Defense, and other commodity feeding programs. In an effort to enhance the quality and shelf life of the product being purchased from a vendor, AMS has specifications calling for psychotropic plate counts (PPC) of no more than 100,000 bacteria. FSIS microbiologists will evaluate this program to compare its effectiveness to the rapid ELISA "dip-stick" method which we used in processing meat samples from the *E. coli* 0157:H7 outbreak. This method does show promise in that the test takes approximately ½ hour to complete after enriching the meat sample for 24 hours in an enrichment broth.

Mr. DURBIN. Can this same testing be expanded to all inspected ground beef and pork as a first step in the process to change the inspection system to a more microbial based system?

Dr. CROSS. The psychotropic plate count (PPC), as used by AMS, is a quality indicator which examines the number of bacteria present in frozen product. All ground beef or pork purchased by AMS are frozen products.

The Agency's Pathogen Reduction Program includes a HACCP model for ground beef plants. In this program, product will be tested for the total numbers of mesophilic bacteria present—aerobic plate counts—and coliforms. We believe that this type of testing will provide a better estimate for safety issues.

NATIONAL ADVISORY COMMITTEE

Mr. DURBIN. Did the National Advisory Committee on Meat and Poultry Inspection meet during fiscal year 1992? If so, what were the recommendations made to the agency?

Dr. CROSS. Yes, the National Advisory Committee on Meat and Poultry Inspection met on September 22 and 23, 1992. During this meeting the Committee members discussed several issues, including the Microbiological Baseline Data Collection Program for Beef. The Committee members discussed the critical variables that can effect the data, such as carcasses sprayed with acetic acid, collection of samples, and sampling sites. The members were very concerned about the variables that can bias the study and pointed out that pathogens on the carcass do not mean that the same number of pathogens are on retail cuts such as steaks. They also recommended that the Agency should establish baseline microbiological data on beef other than fed cattle. The Committee and the Agency also agreed that members will have early input in the Agency processes, members will submit discussion topics, and the Committee will provide general recommendations to the Agency.

The Committee also recommended that the Agency plan for and study the organization of the Agency, requirements for human resources, and the quality of supervision. The Committee further suggested that the Agency move toward greater use of risk analysis to decide what products and processes should be inspected or should be excluded from inspection.

IRRADIATION

Mr. DURBIN. The Food and Drug Administration has approved the use of irradiation to control trichina in pork and microbial reduction in raw poultry. Is irradiation being used by industry? If not, why not?

Dr. CROSS. Irradiation has been approved by the Food and Drug Administration to delay ripening and control arthropod pests in all fresh foods; to control trichina in fresh pork; and to control pathogenic bacteria in fresh and frozen poultry. At present there is one facility that has successfully marketed small quantities of irradiated strawberries, citrus fruits, onions, and mushrooms. They are also planning to irradiate poultry. All regulatory requirements have been satisfied and they are now resolving logistical and business issues prior to initiating that process. Two other facilities have satisfied FSIS establishment and quality control requirements for poultry irradiation, but no final actions have been taken to begin the processing.

Industry has been slow to adopt this new method of providing a safer product, probably because perceived consumer reluctance to accept anything associated with the word "radiation". I would hope that this will change in time as the relative advantages of the procedure become more widely known and accepted.

Mr. DURBIN. Could irradiation be used to reduce *E. coli* and other bacteria in processed meat?

Dr. CROSS. Irradiation has been shown to be effective in controlling *Escherichia coli* 0157:H7 and other vegetative pathogenic bacteria found in beef and other red meat products. At the maximum dose approved for poultry, 99.9 percent or more of those bacteria would be destroyed. We are presently working with ARS, the U.S. Army Research, Development, and Engineering Center, and the American Meat Institute to identify research needed to petition to FDA to permit irradiation of red meat products.

ANTIBIOTIC AND SULFONAMIDE RESIDUE

Mr. DURBIN. In fiscal year 1992, FSIS began a surveillance program to determine antibiotic and sulfonamide residue frequency in dairy and beef cows. What did you find?

Dr. CROSS. Data collection was completed in November 1992 and is currently being evaluated. A report of findings should be available in the late spring of 1993.

CODEx ALIMENTARIUS

Mr. DURBIN. The Codex Alimentarius Commission, which is an international organization that develops food standards, agreed to establish an import/export control committee. Has this committee met?

Dr. CROSS. Yes. The First Session of the Codex Committee on Food Import and Export Inspection and Certification Systems was held in Canberra, Australia, September 21 through 25, 1992.

Mr. DURBIN. What were their findings and recommendations?

Dr. CROSS. The Committee agreed to submit revised draft Terms of Reference to the Codex Commission for adoption, and agreed that its principle responsibility should be to develop procedures and guidelines for food inspection and certification systems with a view to harmonizing methods and procedures that protect the health of consumers, ensure fair trading practices and facilitate international trade in foodstuffs. The second major area of discussion centered around the Development of Principles for Food Import and Export Inspection and Certification. The Committee also established future agendas to include: Principles for Import and Export Food Inspection and Certification Systems; Information Exchange on Import/Export Problems; and, Electronic Information Exchange Systems. The second session of this Committee is scheduled for November 29 through December 3, 1993, in Canberra.

Mr. DURBIN. Did the Commission or any of its committees meet during fiscal year 1992?

Dr. CROSS. The Codex Alimentarius Commission meets biennially. The 19th Session was held in July 1991 in Rome, Italy, and the 20th session of the Commission is scheduled to be held in Geneva, Switzerland, June 28—July 7, 1993. The Commission did not meet during fiscal year 1992. The Committee on Food Import and Export Inspection and Certification Systems did hold the one meeting previously discussed.

LIVESTOCK INSPECTED

Mr. DURBIN. For the record, provide a table showing the number of livestock inspected at slaughter, by species, for fiscal year 1985 through fiscal year 1992.

Dr. CROSS. I will be happy to provide that information for the record.

[The information follows:]

LIVESTOCK INSPECTED PER FISCAL YEAR

[In thousands]

Year	Cattle	Calves	Sheep	Goats	Swine	Equines
1985.....	33,295	2,983	5,826	114	78,218	143
1986.....	34,822	3,215	5,411	147	77,246	171
1987.....	34,811	2,779	5,096	159	76,388	246
1988.....	32,712	2,433	4,743	234	79,019	299
1989.....	31,340	2,177	5,059	230	82,111	343
1990.....	33,034	1,872	5,141	230	82,111	343
1991.....	29,620	1,463	4,449	191	81,298	236
1992.....	30,759	1,353	5,129	225	89,210	244

MEAT AND POULTRY EXPORTS

Mr. DURBIN. Also for the record, provide a list of countries that received meat and poultry exports, how much they received, and the dollar value for fiscal year 1992.

Dr. Cross. I will be glad to provide for the record a list of countries that receive meat and poultry exports, the amounts received, and the dollar value for fiscal year 1992.

[The information follows:]

Foreign Countries that Received Meat and Poultry Export in FY 1992.

CHANGE IN MEAT EXPORTS

Area or Country	Fiscal Year 1991 Thousands of Pounds	Fiscal Year 1992 Thousands of Pounds	Percentage Change From FY 1991	Fiscal Year 1992 \$ Value (Thousands)
North America				
Canada	249,692	258,613	4	435,225
Mexico	407,901	494,672	21	415,387
* Subtotal	657,593	753,285	15	850,611
Caribbean				
Bahamas	11,506	5,654	-51	8,989
Bermuda	3,605	3,517	-2	8,719
Netherlands Antilles	5,652	5,259	-21	8,269
Jamaica	12,491	11,949	-4	4,297
Cayman Islands	2,783	1,281	-54	1,830
Leward-Windward Islands	4,273	1,916	-55	2,941
Trinidad and Tobago	3,852	2,234	-42	1,313
Other*	27,448	2,295	-92	2,768
** Subtotal	49,211	34,105	-31	39,126
Central America				
Belize	1,698	1,488	-12	1,231
Costa Rica	428	1,330	211	378
Guatemala	306	1,541	404	1,314
Panama	2,844	3,698	30	2,247
Other*	1,074	1,252	17	1,257
** Subtotal	6,350	9,310	47	6,428
South America				
Argentina	282	1,775	529	1,384
Peru	4,227	8,158	93	3,508
Chile	858	2,787	225	792
Colombia	3,023	4,256	41	2,067
Venezuela	13,530	7,479	-45	3,851
Other*	4,348	906	-79	632
** Subtotal	32,041	25,362	-21	12,233
European Community				
Belgium-Luxembourg	2,209	5,965	166	2,937
Denmark	849	2,567	202	1,746
France	4,293	5,237	22	4,517
Germany	2,231	6,066	172	7,169
Netherlands	2,814	3,925	39	3,916
Spain	3,951	1,493	-62	1,483
United Kingdom	11,131	16,736	50	5,003
Portugal	2	426	21178	142
Italy	384	1,061	176	1,464
Greece	22	232	952	797
** Subtotal	27,887	43,606	56	29,174

* Countries receiving less than 500 metric tons are totaled as "Other."

** Subtotals are rounded.

Other Western Europe				
Austria	1,177	1,596	44	7,991
Sweden	2,606	5,369	106	11,215
Switzerland	2,408	1,896	-21	8,108
Other*	115	1,130	929	1,293
Subtotal	6,306	10,142	61	28,496
Former USSR				
Union of Soviet Soci	8,984	1,116	-87	1,178
Russian Federation	0	295	--	367
Subtotal	16,434	1,411		1,545
Eastern Europe				
Poland	6,229	11,605	86	5,285
Other*	1,321	845	-36	332
Subtotal	7,550	12,449	65	5,617
Middle East				
Egypt	21,614	10,981	-13	5,902
Israel	836	1,133	36	455
Saudi Arabia	8,714	6,818	-22	7,667
Other*	2,553	2,346	-8	5,527
Subtotal	33,917	29,179	-14	19,550
Africa	26,385	6,081	-77	2,672
Asia				
Hong Kong	15,594	18,533	19	27,612
Japan	715,270	863,485	21	1,718,000
Korea, Republic of	106,486	142,996	34	231,759
Singapore	3,766	4,011	7	8,823
Taiwan	8,176	9,197	12	19,830
Thailand	1,099	1,879	73	1,781
Malaysia	2,251	2,022	-10	2,808
Indonesia	1,788	2,381	33	2,387
Philippines	856	1,663	94	3,096
Other*	7,217	1,010	-86	927
Subtotal	857,509	1,047,177	22	2,017,023
Oceania	3,733	3,656	-2	4,177
=====				
Total	1,717,366	1,975,784	15	3,016,653

CHANGE IN POULTRY EXPORTS

Area or Country	Fiscal Year 1991 Thousands of Pounds	Fiscal Year 1992 Thousands of Pounds	Percentage Change From FY 1991	Fiscal Year 1992 £ Value (Thousands)
North America				
Canada	102,107	127,328	25	143,974
Mexico	189,266	295,369	51	158,661
**Subtotal	291,373	412,697	42	302,635
Caribbean				
Bahamas	5,102	7,737	52	4,678
Bermuda	5,400	4,897	-9	4,717
Netherlands Antilles	25,876	26,389	2	15,296
Jamaica	34,014	41,985	23	9,540
Leeward-Windward Islands	45,990	39,103	-15	19,963
Barbados	2,185	3,330	52	1,336
Trinidad and Tobago	2,055	2,254	10	1,104
Other*	86,835	2,683	-97	1,768
**Subtotal	123,231	128,334	4	58,402
Central America				
Guatemala	57	21,153	37010	8,617
Nicaragua	2	10,322	0	4,336
Honduras	1,096	2,359	115	913
Other*	11,322	1,005	-91	720
**Subtotal	12,478	34,839	179	14,595
South America				
Guyana	5,890	12,760	117	3,855
Peru	6,271	9,150	30	3,436
Colombia	1,649	6,694	306	2,461
Venezuela	1,422	7,554	431	2,720
Other*	13,080	1,025	-92	491
**Subtotal	16,152	36,184	124	12,962
European Community				
Denmark	49	95	93	25
Belgium-Luxembourg	714	1,345	88	510
France	6,280	6,443	3	2,425
Germany	12,771	19,074	42	6,262
Greece	1,164	1,943	67	1,458
Netherlands	8,659	4,198	-52	4,258
Portugal	5,371	7,442	39	2,483
Spain	29,770	27,926	-6	9,939
United Kingdom	4,622	25,757	457	15,569
Italy	143	251	76	255,933
**Subtotal	69,543	93,380	34	298,837

Other Western Europe				
Switzerland	1,122	2,666	138	1,721
Other*	275	384	40	317
* * Subtotal	1,397	3,050	118	2,039
Former USSR				
Union of Soviet Soci	182,398	95,296	-43	32,931
Russian Federation	0	19,177	--	6,879
Moldovia, Republic of	0	4,631	--	1,188
Subtotal	185,105	119,103	-36	40,798
Eastern Europe				
Poland	2,437	37,959	1458	10,703
Yugoslavia	0	7,753	--	7,021
Romania	183	20,599	11156	3,905
Other*	90	44	-51	6
* * Subtotal	2,706	66,355	2352	21,635
Middle East				
Lebanon	348	5,951	1610	1,715
Iran	0	8,337	--	2,470
Jordan	7,477	15,499	107	9,186
United Arab Emirates	16,346	14,398	-12	9,306
Oman	9,093	3,991	-56	2,048
Bahrain	3,810	1,561	-59	1,151
Kuwait	653	3,208	391	2,727
Saudi Arabia	24,991	29,280	17	15,956
Other*	38,912	1,021	-97	596
* * Subtotal	64,556	83,237	29	45,156
Africa				
Angola	9,096	5,517	-39	3,022
South Africa	829	11,259	1258	4,172
Other*	227	1,535	576	584
* * Subtotal	11,402	18,310	61	7,778
Asia				
Hong Kong	221,953	318,695	44	131,426
Japan	259,652	396,391	18	165,396
Korea, Republic of	11,532	19,830	72	17,219
Singapore	52,382	59,330	13	28,298
Indonesia	408	1,105	171	777
Brunei	154	1,462	849	525
China (Mainland)	8,531	12,778	50	3,472
Other*	11,360	1,801	-84	1,863
* * Subtotal	556,879	721,392	30	348,975
Oceania				
Western Samoa	4,580	5,976	30	2,079
French Pacific Islands	15,409	15,896	3	7,817
Marshall Islands	4,432	4,267	-4	1,996
Micronesia, Federate	5,058	5,576	10	2,608
Other*	3,413	4,880	43	2,042
* * Subtotal	32,890	36,594	11	16,542
Total	1,364,990	1,753,524	28	1,170,344

HIRING FREEZE

Mr. DURBIN. Dr. Cross, I understand that on December 22 you implemented a hiring freeze on GS-9 and above non-in-plant positions in order to redirect funding to hire 50 to 60 additional slaughter inspectors. How many additional inspectors have you been able to hire?

Dr. CROSS. The cost saving measures which we implemented in December 1992 included the limitation on the hiring of non-in-plant positions as well as reductions in planned operating costs. These measures have enabled us to hire an additional 47 in-plant inspectors, which will yield 35 staff years in 1993 and begin to address inspection vacancies.

Mr. DURBIN. Are these inspectors in addition to the 160 you are asking for in the stimulus bill?

Dr. CROSS. Yes, the 160 inspectors sought in the stimulus bill are in addition to those which the Agency has hired as a result of internal economies. Together, these actions will mean that a significant improvement in inspection coverage will begin this year.

AGENCY EMPLOYMENT

Mr. DURBIN. How many people work for your agency?

Dr. CROSS. As of September 30, 1992, the Agency employment totaled 9,086 permanent full-time employees and 960 other employment.

Mr. DURBIN. For the record, provide a breakout of where these employees are located.

Dr. CROSS. Of the total Agency employment, 722 permanent full-time employees and 89 other employees are located in the central offices, and 475 permanent full-time employees and 13 other employees are in area and regional offices. The balance of 7,889 permanent full-time employees and 858 other employees are in field locations. Field employees are distributed throughout the country, in all states, in over 6000 plants.

COORDINATION OF RESPONSIBILITIES

Mr. DURBIN. The whole area of food safety is becoming more significant as consumers demand more. Certainly, the recent outbreak of E. coli illnesses in the Northwest that resulted in several deaths has heightened consumer interest. Your agency does meat and poultry inspection, the Agricultural Marketing Service does egg products inspection, the Food and Drug Administration does inspection on a multitude of food-related activities, the Commerce Department does voluntary seafood inspection, and EPA maintains a hand in all food issues related to residue tolerances. Are you satisfied as the Administrator of FSIS that all of the Federal agencies' responsibilities are well-coordinated, that there is no duplication, and that, in fact, consumers are receiving the best possible food safety inspection process that they can get?

Dr. CROSS. I am certainly not going to say that there is no room for improvement. I have previously mentioned in this hearing the two track plan that FSIS is undertaking to develop improved methods of food safety inspection. We are continually striving to strengthen interagency cooperation and ensure that our efforts

mesh with those of other agencies so as to provide the public with the highest possible level of protection. We have made a lot of progress in this area, and we are going to make more. The American people now have the safest food supply in the world, but we will make it even safer.

Mr. DURBIN. Do you have any specific recommendations on how to better coordinate or resolve the overlap of inspection programs?

Dr. CROSS. We do everything we can to work closely with the Food and Drug Administration and other agencies to avoid any inconsistencies in our rules. While several agencies are involved in various aspects of food safety, I am not convinced that there is a great deal of overlapping authority. Our legal mandate is sufficiently precise so that we know the limits of our responsibilities as to other agencies.

Mr. DURBIN. Mr. Skeen?

PATHOGEN CONTROL

Mr. SKEEN. Thank you, Mr. Chairman.

Dr. Cross, it is good to see you again. It is good to get out of the evolution, the revolution, and get down to cases and hold up the truth flag for just a minute.

I hear about all this revolutionary changes in the inspection process and so on, yet 97 percent of the problems with the food illnesses is not with the processing; it is the way it has been handled by the establishment that cooks and prepares it.

What is the answer to that? You can do all the great inspection work in the world; yet you must have responsibility as far as preparing the food these days. Do you have an information program, or is there one in the works, to enhance this idea that food must be properly prepared.

Dr. CROSS. You bring up an interesting point. The consumer does have a critical role in food. And we know that 80 percent of the problems occur from cross-handling. It is in the high 80s.

Mr. SKEEN. Not the 97?

Dr. CROSS. Not the 97. We feel very strongly that the consumer plays a key role.

What we are proposing for Track I, pathogen plan, is a farm-to-table system. Up to now, we have been heavily relying on things at the end of the chain, like cooks, as a critical control point. That has to continue.

We will propose mandated labeling for safer handling instructions for the public, for the food service preparers, to enforce what we have already been doing for the last few years in consumer education. But we are going to try to accomplish that as a part of our efforts to control the pathogens from the farm to the table.

We will never tell the consumer that any product has no pathogens on it, and the consumer doesn't have to worry about the way it is handled. That is why we put out these communications to millions of consumers every year: video, print, hotline. We get over 130,000 calls to the hotline a year. A high percentage concern how to cook the product and how to store the product. That is a high priority with us.

Mr. SKEEN. We seem to be working at cross-purposes here. You hear the great surge in interest in organically-grown foods that have no antibiotics in them. I would think that there is probably more danger in those foods that are given that kind of a billing, because they have some inherent problems with them from the time that they are harvested and shipped.

Yet the general public has the idea that any food that has been irradiated is unsafe.

Dr. CROSS. I think we have a major challenge in the risk communication area, which is part of our risk analysis program. We are not effectively communicating risks. We are not communicating that you can, in fact, use drugs in animals if you control the residues in the final product to make production of that animal more efficient and reduce cost to the consumer. We have to do a better job of communicating that to the consumer.

Mr. SKEEN. Let's take one more step, the cost of doing this kind of work, have you done anything in this approach? We want to do something to ensure the public that what they are consuming is wholesome.

What does that do to the cost as far as the mandated labeling requirements and the carcass processing in the case of meat and other foods as well and those promoting animals and livestock that have no use of antibiotics?

That is kind of ridiculous because I don't know of anybody in the livestock industry that doesn't use antibiotics somewhere along the line.

Dr. CROSS. When you take the pharmaceuticals out of the system, I think you know what it does to cost: It goes up tremendously. And we contend that the product is safe using those systems.

Mr. SKEEN. What is the cost factor in the mandated labeling?

Dr. CROSS. We haven't determined that yet. Probably by the end of May we will have a proposal ready to look at with the estimated cost impact on the industry.

Mr. SKEEN. Are user fees going to help you any?

Dr. CROSS. Absolutely.

Mr. SKEEN. You think it is going to work? You don't think it shifts the responsibility away from the agency?

Dr. CROSS. No, I really don't. I think the responsibility lies with us for the regulatory part; but there is a major responsibility for the food industry, as it is for the public. We have looked at other countries, the world, and we haven't seen any decline in their protection of the public in regard to food safety.

RESEARCH AND DEVELOPMENT

Mr. SKEEN. You mentioned in your testimony that FSIS will continue to prepare a list of research and development priorities. How does FSIS propose to accomplish the research that appears to be necessary due to the recent E. coli outbreak?

Dr. CROSS. FSIS proposes to establish a list of the critical research issues which need to be addressed, to seek to influence other research organizations which have funds to direct their resources to the critical research questions which are most related to their ongoing work and responsibilities. One example of such an effort is

our recent request to CDC that they begin the critical research on infectious doses of pathogens which are the cause of foodborne illnesses. We will use our own resources for methods development to seek completion of projects which cannot be funded elsewhere. We intend to award contracts competitively, and we anticipate the use of external reviewers to ensure the integrity of the process.

NATIONAL FOOD QUALITY CENTERS

Mr. SKEEN. Would it help you if we were to fund the authorizations for National Food Quality Centers which were authorized in the 1990 Farm Bill?

Dr. CROSS. Funding of these National Food Quality Centers could lead to their becoming additional outside resources, devoted to these important issues.

NAFTA

Mr. SKEEN. Let's go to the border question. What about the situation with Mexico now?

You do an extensive amount of field work, now, on produce coming into the United States from Mexico. Will NAFTA have an adverse effect on public health? Or what kind of effect will NAFTA have?

Dr. CROSS. Of course, we look at safety; we look at public health.

Mr. SKEEN. It is not just meats?

Dr. CROSS. Not just meats. And, of course, that isn't our bailiwick. We feel that NAFTA will not have an adverse impact on public health. We can't allow it.

We signed an agreement with Mexico last summer in regard to meat inspection. In that agreement, they finally came to terms to agree that we both need to follow our approach in regard to inspection of product coming into the U.S. or any other country.

They agreed that they would use a philosophy of certifying the country's inspection system, which we use. And consequently we have several hundred plants on the list that are eligible to export into Mexico.

Mr. SKEEN. Do you do inspection on produce?

Dr. CROSS. No.

Mr. SKEEN. Cheese?

Dr. CROSS. No.

Mr. SKEEN. Just meat and poultry.

How much red meat do we get out of Mexico?

Dr. CROSS. About a million pounds a year. So it is very much in our favor. Seven hundred million goes from the U.S. into Mexico.

Mr. SKEEN. We export, primarily, pork which must be inspected?

Dr. CROSS. It's of beef, too.

Mr. SKEEN. A lot of beef as well.

I have no more questions.

Mr. DURBIN. Mr. Pastor?

MICROBIOLOGICAL SURVEY

Mr. PASTOR. I think it was last year that the Secretary announced that they were going to start a nationwide microbiological survey to determine the food safety profile of beef.

Is the survey completed?

And if it is, how have we used it?

Dr. CROSS. The survey started in August. It was targeted to steer and heifer carcasses. We will report those results on a yearly basis beginning in this coming fall. The study will hopefully never stop. This is going to be an ongoing survey of pathogen profiles for steers and heifers in this country. We will use that data to monitor just how well we are doing in regard to reducing pathogens through new systems that we have put in place.

We will, hopefully, begin the same type surveys for cows, for poultry, and for swine this calendar year.

Mr. PASTOR. How are you surveying the beef industry to develop this profile?

Dr. CROSS. Do you mean how did we decide how we were going to do it before we started?

Mr. PASTOR. No. How are you doing the survey? I am assuming that you take samples of carcasses at various points to establish the levels of *E. coli* or *Salmonella* that would allow you to develop a contamination profile.

Dr. CROSS. We are doing it on the carcasses in one location, in the cooler, not at multiple points in the processing chain. We want to sample the same location at the same time of day, in the same manner, so as to be consistent and control variability.

Before we started this particular baseline survey, we asked 200 experts from around the country for their input; and we got significant input to help us design this protocol. We will be doing the same thing for poultry, cows, and swine.

But, basically, it is just a yardstick; it is not something that we can do to evaluate individual companies. We will be doing that in another part of our strategy to look at micromonitoring for the critical control points throughout the process.

LABORATORY TESTS

Mr. PASTOR. In my district there is a slaughter house, and I have had the occasion to visit it. And, you know, they have these machines up above. The cattle are hooked on, stunned, cut, blood flows; and it goes through this whole process. It was pretty fascinating. I was amazed how fast they can do the process.

But as I remember, when I took biology, if you remember studying for any bacteria or fungus, *E. coli* especially, that you would take a sample and put it on a culture and then you would have to wait at least a few—maybe a day or so to see if the *E. coli* was there. the *E. coli* was there.

It is kind of rough to do biological cultures on a piece of meat that has come in and moved out of there within minutes. I know we can see it visually, but I have never been able to see *E. coli*, with even the thick glasses that I have.

Dr. CROSS. It would make our job easier if they would stand up and wave at us.

Mr. PASTOR. I don't see how you can take some of these tests, as a carcass is moving, culture these samples and then, if you find a high level of contamination, try to locate that particular carcass.

Dr. CROSS. Congressman, our intention is not to go back and find that piece of meat. But our intention is to monitor profiles to see what the national level is. We do not try to stop that product from going into commerce when it has a pathogen on it. Our intention is to see what the profile is and how that profile is changing.

So, actually, some of these assays take five or six days before we get a result. Our goal in the pathogen strategy is to move as quickly as we can to develop rapid methods for detecting pathogens. We need that to see whether the process is out of control or not. It could take as much as a year or three years to get the rapid methods.

Pathogens are different. We look at a lot of different pathogens. Some are more difficult to look at. E. Coli 0157:H7 is a six-day assay. Some are 24 hours. But those currently cannot be done inside the plant.

We can't wait two to three years until we get the rapid tests developed to continue the baseline studies. We must use the currently available test, even though they take five or six days to monitor the control points in plants to make sure that the process isn't out of control.

Mr. PASTOR. I know you also monitor the meat processing. We have one of those in my district, and it is interesting to note the number of hands that touch the product as it is processed. A piece of beef becomes hamburger, and then they want to do something else with it.

Do you test any of the processing equipment?

Dr. CROSS. Yes. We do routine microbial testing on the equipment. That is going to be significantly expanded in the pathogen plan to include pathogens. We know that bacteria can come from many different sources, the intestines, the carcass, and also the environment.

So we have to set the Hazard Analysis Critical Control Systems in place. And we have to be able to identify the critical control points where the contamination is most likely to occur.

Those are the things that we are going to monitor during the micromonitoring program in the future.

Mr. PASTOR. In many cases, it is precisely the processing equipment that contributes the greatest share of the contamination.

Dr. CROSS. Where we are heading, Congressman, is down the path of a lot of sampling. This means that the industry is going to have to get into the mode of microsampling because they can't afford to let us do it by ourselves and be surprised.

In the coming months and years, you are going to hear a lot and see a lot about pathogens sampling, and I think you are going to see results. You are going to see these profile levels go down dramatically.

Mr. PASTOR. It appears you have a great task ahead of you, recognizing the amount of time required to grow a culture.

Dr. CROSS. But also, once we have the HACCP systems in place, we don't need to wait five or six days to get a culture to know what we need to be doing with particular practices.

The industry will train their people on Quality Control and HACCP. It is to their advantage to do it, and many are already

doing it today. We are going to make sure that what they have put in place is working.

INSPECTOR TRAINING

Mr. PASTOR. What are you doing now—I am assuming that most of your inspectors look at the samples, and through years of training, can detect certain things. But what are you doing to train your inspectors to be able to take on this revolution and be successful?

Dr. CROSS. Currently, the orientation of our inspectors is very much organoleptic. Mostly they do two things: They look for indications of disease, and that is effective; but they are also looking for things that can cause high bacterial level, physical contamination, temperature abuses, et cetera.

As we move down the road into micromonitoring, we must train our inspectors to take samples at the appropriate place and handle them appropriately. We are now doing some of that as we go through the baseline studies for our inspectors who are taking those samples. We practiced on that for three months last summer before we actually initiated the study to make sure that we were taking the samples properly.

SAMPLE ANALYSIS

Mr. PASTOR. I think it would be my objective that that inspector not only take the samples but be able to inspect the animals.

Dr. CROSS. That is a long term objective. We now have to go to the laboratories and get fully qualified microbiologists to deal with that. Current sample analysis methods are dangerous. You have to know what you are doing.

We would like to have rapid tests that don't involve dealing with cultures and enrichments so that the inspector could conduct them on site.

Mr. PASTOR. When do you think we will get to do that?

Dr. CROSS. Secretary Espy has this as a very, very high priority. So we are going to have results on rapid tests in one to two years.

Mr. PASTOR. What technology do we have in place today to facilitate the sampling and analysis of these samples? What is the latest technology in terms of time?

Dr. CROSS. It depends on the pathogen. *E. coli*; five to six days.

Mr. PASTOR. Still? How about *Salmonella*?

Dr. CROSS. We can get a negative in 24 hours. *Salmonella* I would guess three, four, five days. FSIS is working on this in cooperation with ARS. This is not something we woke up to yesterday and decided we needed. This has been a priority for us for a number of years. We have been making progress, but I think we have got to make faster progress.

Mr. PASTOR. What is the latest technology? I haven't kept up with it. Let's take *Salmonella*, what is the quickest test we can do that will give us some analysis?

Dr. CROSS. Maybe I ought to ask my microbiologist. Where is Ann Marie? I am probably saying things that she is going to kill me on.

This is Dr. Ann Marie McNamara who is the Director of the Division of Microbiology.

Dr. McNAMARA. Thank you.

As you stated, as USDA microbiologists, we have been in contact with companies for years now to develop newer, faster tests. Currently we are looking at several different methodologies. Right now probably the faster, more applicable ones are called ELISA technology—that's Enzyme Linked Immunoabsorbent Assay. We have used in salmonella work and E. coli 157:H7, what is called a rapid dipstick. You put it into the culture after it has grown for 24 hours, and you can eliminate positive reactions. All positives have to be confirmed, and that is where the three to seven days comes in. It is necessary to confirm it because every sample that we take is a legal sample. We have to prove beyond a shadow of a doubt that these are not false positive reactions but actually true reactions.

We are looking at other types bioluminescents, and DNA probes. We are looking at, further down the road, biosensors. But we do have our fingers on the pulse of current research and recent developments, and we will be monitoring these closely both for more rapid tests that can be done in the laboratory and more rapid tests that can be done in the plant.

Mr. PASTOR. I would think that you would want to be able to do the determination out in the field so that you could react to the situation on the spot.

Dr. McNAMARA. Yes.

Mr. PASTOR. But as I understand it, you have at least a 24-hour test period to show that it is negative.

Dr. McNAMARA. The crucial thing that we will have to get over is the fact that bacteria requires time to grow before we can see them or to evaluate them.

At the moment, we are limited in that we need to have a 24-hour growth period to get the organisms to a level to be detected. Hopefully, we can make inroads in that in the next couple of years so that we can have more instantaneous testing.

Mr. PASTOR. I read that you are going onto the farm itself.

Dr. McNAMARA. Yes.

Mr. PASTOR. That is interesting. What kind of tests are you going to do there?

Dr. McNAMARA. Actually, I think what we hope to do is to apply the ELISA dipsticks at the farm level. We have already done some work on developing dry swab technology to evaluate salmonella in poultry plants or poultry houses.

It is not a new avenue that we have taken but one that we want to significantly increase in our activities.

Mr. PASTOR. Thank you very much.

Mr. Chairman, I am impressed by the enlightenment demonstrated by this particular Department. They have women and minorities.

Mr. DURBIN. Mr. Smith?

MICROBIOLOGICAL TESTING

Mr. SMITH. Dr. Cross, I am sure glad to hear you make that statement about a zero-fecal policy. I have not heard that for 10 years. The public does not want fecal material in their product. It will be zero.

I read your written statement; and until I heard your testimony, I thought I was hearing the same thing that I have been hearing for 10 years, that we are going to substitute microbiological approach for what we currently do. I don't see those same comments in your written statement.

Why don't you have that in your written statement?

Dr. CROSS. Well, it was an oversight because that is absolutely not the case. Microbiology is going to be an addition to what we do.

Mr. SMITH. That is what I want to hear people say. For 10 years they have been up here trying to substitute it. We could have had microbiological additions to the Act if they had taken that approach. Even that study you quoted from the National Academy of Sciences excluded—the contract itself excluded looking at anything but risk. So don't quote that study around as some evidence. I don't think it is very good evidence to quote. We want both. The Act was named the Wholesome Meat Act for a good reason. We are interested in this country in wholesomeness as well as in safety.

Dr. CROSS. The way we like to tell the public, when we talk to them, is that we are going to continue to look for any case of disease; we may get better methods. We are going to remove the physical contamination.

But now we are looking at the things we can't see. Just as in chemicals. We have had good success in reducing chemical levels. Now we want the same success in pathogens.

MEAT WHOLESOMENESS

Mr. SMITH. Consumer confidence in safety and wholesomeness is absolutely necessary to preserve our livestock markets at this point in our history.

And we hear about costs. For the legitimate packers, it does not cost them anything. It is a fraction of a cent to discard or to handle contaminated product in the volume at which they operate. And processors are the same way because if they are getting it from a legitimate packer, why, they don't have any costs either.

But before we had this system, to give you one case for example, we ran into cases where they bought chunked meat out of a rendering plant, and processed it into sausage in Chicago; nobody got sick. They put enough garlic with it, and brought it up to a high enough temperature, and people bought it and thought it was great.

So it is not just safety that we are interested in. We don't want people eating contaminated meat in this country. So I wish you would make those kind of dogmatic statements a little more often. And I am glad to hear that approach to it instead of the idea that we are going to substitute a new system that does not reflect the wholesomeness standards of the existing law.

Now I want to ask you about trimming. You said you have changed the location of the trimming. Would you describe that?

Dr. CROSS. We are saying now that the fecal material or ingesta or milk contamination must be trimmed before the carcass is washed.

Mr. SMITH. I think that is a very substantial change.

Dr. CROSS. Yes, it is.

Mr. SMITH. I thought you said you haven't changed anything.

Dr. CROSS. Our policy has always been no fecal material on the carcass.

Mr. SMITH. But after you washed it, it was still contaminated but you couldn't see it. I think that is a world of difference. That is the way it should have been all the time.

However, we are still not doing that with poultry, are we?

Dr. CROSS. No.

Mr. SMITH. When is that going to come?

Dr. CROSS. Since our last conversation, Congressman, when I indicated to you that we would collect more research data, we have conducted another study with ARS. And we have had four universities involved in collecting research.

On the one hand, I will tell you that the research still supports washing fecal material off the birds with chlorine and water.

On the other hand, I will tell you that we are not pleased with the fact that we still have these contaminations.

So with a new administration, a new Secretary, we are bringing all of that back to his table for reconsideration and another look over the coming weeks and months.

Mr. SMITH. You say that the research supports it, but it supports the fact that you can make it safe but not the wholesomeness part? People still know it is there?

Dr. CROSS. The data from the studies tells us that the pathogen level is significantly lower or equal to the pathogen level on the birds that were contaminated or not contaminated.

Mr. SMITH. But the pathogens are still there. You may have sterilized it somewhat with the material that was in the wash. But your own studies confirm that you just can't wash bacteria off completely.

Dr. CROSS. That is still being debated by the scientists. We think, based on the data that we have, that we can wash the fecal material off. And we are removing the salmonella or the pathogens before they have the chance to attach to the skin.

E. COLI

Mr. SMITH. And the other thing is, as you know, allowing washing took away the incentive to slow down the line; and they speeded up the line as soon as they started washing and spread more fecal material all over the birds than they used to.

With regard to this E. coli breakout, we asked FDA yesterday some questions about it. But tell me if my understanding is right. My understanding was that—there was a breakdown in the system, but it arrived at the restaurant and they cooked it according to standards put out by FDA, but that the standards did not call for a high enough temperature to kill the E. coli; is that true or not?

Dr. CROSS. Not totally. We feel our inspection system did, in fact, function as it was designed to function, as an organoleptic system. We looked at the plant and suppliers. It is our understanding—and if I need to be corrected, Dr. Hollingsworth, who is our E. coli expert this month, can correct me. But the product was not cooked to 140 degrees, and the State of Washington had a 155 degree requirement for cooking.

Mr. SMITH. I didn't know that. It was not the system that didn't work. The requirements were not followed?

Dr. CROSS. Jack-in-the-Box has admitted that they didn't cook it to 140.

Mr. SMITH. And there is no difference, as I understand, in the standards for a frozen product or a not frozen product.

Dr. CROSS. That is right.

Mr. SMITH. Anyway, I am glad to hear you make these statements that you made this morning about a zero tolerance standard on fecal material, and I can't wait until we get that on poultry, too.

MEXICAN TRADE AGREEMENT

One additional thing I want to say is that I am glad, to hear this discussion about the Mexican trade agreement. There are people that happen to be in the livestock business that would like to find some excuse for being against NAFTA. They are putting out all kinds of stories that you are going to have packing houses down there that don't meet our standards and shipping meat across the border. I have heard that from agricultural people that are against NAFTA. And they are trying to find a reason to be against NAFTA.

But let me just ask you one more question about that. How many plants are approved in Mexico now?

Dr. CROSS.

Twelve in Mexico.

Mr. SMITH. Well, before the Meat Inspection Act was passed, there were hundreds down there; and after it was passed, only 15 qualified. And now you are down to 12?

And, see, this is just a scare that we are hearing, because they have had to meet our standards ever since 1967. Everything that came in here had to meet our standards.

Dr. CROSS. NAFTA will not compromise public health. It will not.

Mr. DURBIN. Mr. Myers?

INSPECTION POSITIONS

Mr. MYERS. Thank you, Mr. Chairman.

How many employees do you have in food inspection and veterinarians? How many slots do you have?

Dr. CROSS. Around 7,400.

Mr. MYERS. That's what you have filled? You have all the slots filled that you have allocation for?

Dr. CROSS. No, we do not—550 are unfilled.

Mr. MYERS. Why is that? We have been talking about not doing the job here with the other members of this committee where you are hurried and rushed. Why haven't you filled those spots?

Dr. CROSS. It is not from our lack of asking, Congressman. I am not sure why they have not been filled—other than a lack of funding.

The progress that we have made in filling slots has been primarily related to accommodating a growing industry. We are filling those slots that would accommodate growth and not filling long standing vacancies.

Mr. MYERS. I yield to my colleague.

ECONOMIC STIMULUS PROGRAM

Mr. DURBIN. Do I understand the stimulus package to include \$4 million to hire 160 inspectors? I wanted to remind you because I knew how strongly you favored that.

Mr. MYERS. I just had coffee when I went out of the room. What did you have to drink?

I asked him if I had time to get a cup of coffee. Now I don't know what he was doing.

So you—anyway, you have 550 unfilled vacancies right now.

Dr. CROSS. Yes.

Mr. MYERS. Could you fill them if you had the money?

Dr. CROSS. It is not money.

I will ask Steve. Steve, what has been obligated and how much is left unobligated?

Mr. DEWHURST. Their current budget of \$489 million in 1993.

Mr. MYERS. \$489 million?

Mr. DEWHURST. This is not sufficient to fill all 500 of the vacancies that they have in the system. The stimulus package would get to address that—\$4 million to fill 160 positions. And there would be increases over the next couple of years in the President's budget proposals.

ADDITIONAL INSPECTORS

Mr. MYERS. President Clinton has proposed spending \$4 million further in this fiscal year to hire 160 additional food inspectors as a result of the recent outbreak of E. coli in the Pacific Northwest. Isn't this funding something that could be reprogrammed within the USDA rather than an addition to this year's appropriation?

Dr. CROSS. Our options in reprogramming money are extremely limited. About 90 percent of the FSIS appropriation for the Federal inspection program is committed to paying our present staff. Most of the remaining 10 percent is for the costs of inspector travel, rent of space, communications costs, laboratory expenses, and other essential elements for the delivery of our services. Our ability to reprogram Agency resources is further restricted now that nearly half the year has lapsed and a proportionate level of Agency resources have been obligated.

In emergency situations, the Secretary of Agriculture may exercise authority under 7 USC 2257 to transfer funds between appropriation accounts within a single USDA agency. This is not applicable in the present situation as FSIS has only one appropriation account.

Mr. MYERS. Out of \$489 million, how much is obligated to this point?

Mr. DEWHURST. I don't know.

Mr. WEST. It is approximately the same proportion that we are through the year. In other words, we are almost halfway through the year and have obligated about half the available funds.

Mr. MYERS. I have something from OMB that says \$300 million that is, you know, obligated as of March 16th. Is that right, Doug? OMB, March 16th, OMB authorized 308, and you say 311, I guess, is what is unobligated.

Mr. WEST. I don't know the source of that.

Mr. MYERS. Office of Management and Budget.

Dr. CROSS. We would have to get back to you on that, Congressman.

[The information follows:]

As of February 28, The Food Safety and Inspection Service has obligated \$202,137,323 out of its total appropriation of \$489,867,000. The unobligated balance as of February 28, was \$287,729,677.

As Agency funds are expended largely for salaries and other personnel related costs. The obligation rate tends to be steady throughout the year. On February 28, FSIS had obligated 41.3% of its funds for the year, with approximately 41.7% of the fiscal year completed.

Mr. MYERS. In any event, you have requested that some of these spots be filled.

Dr. CROSS. Yes.

Mr. MYERS. Now, if my calculus is right, you want to employ 160 people, additional inspectors and veterinarians, I guess, for \$4 million. And that would be \$25,000 per. Can you hire a veterinarian or food inspector for \$25,000?

Dr. CROSS. Most of these are not veterinarians. They are food inspectors. And this is just for half a year.

Mr. MYERS. And what are you going to request next year? What happens after the half year is over? What kind of request do you have in 1994? If they won't let you spend it now, what makes you think that they are going to next year?

The President says that you are going to have to reduce by 10 percent. Are you addressing that? Have you been alerted that you are going to have to reduce 25 percent?

As I understand what he is saying—he has not really conferred with me. I am sure it is probably an oversight on his part, but I know he wants to. But he just—but, anyway, I understand the minimum is 10 percent and some will go as high as 25 percent.

Mr. DEWHURST. The Department's employment will be down, but within the Department there will be an exception in the food safety and inspection service. Their employment will be going up over the next few years in the budget. And the budget will propose enough money—what the Congress does is another thing—but the budget will propose enough money to hire the people that they want to pick up and another 40 inspectors, in addition, next year.

Mr. MYERS. I am wondering why it takes this job stimulus to do this. For \$4 million, you are reprogramming all the time. Why do you have to put it in this package? Why couldn't you hire them and do the reprogramming? Have you requested the additional people and have they asked you to do the reprogramming or anything like that?

Dr. CROSS. I am not sure I understand.

Go ahead, Bill.

Mr. WEST. You mean in the Department? Steve?

Mr. DEWHURST. The Secretary's authority to reprogram money only works within the agency, so it is a question of moving money around. And, to be truthful about it, I don't recognize those numbers that you have. It is not my impression that they are running that kind of unobligated balance that would permit that reprogramming. I am going to take a look at those numbers.

Mr. SMITH. Will the gentleman yield?

It is going out five-twelfths of the year, it would be nearly \$284 million left. It is not that far off.

Mr. MYERS. \$308 million, \$311 million—within that \$4 million, that isn't very much—that is a little over 1 percent. If you couldn't reprogram 1 percent, without an emergency route I will eat my hat. You don't have your own budget officer?

Dr. CROSS. Mr. West.

Mr. MYERS. That is what I thought.

Mr. WEST. When you are talking reprogramming within the monies that is left—\$250 million to \$300 million—90 percent of all the dollars that are currently spent and budgeted within the agency go to pay salaries and benefits of employees who are currently on board.

Reprogramming monies from people who are currently on board to any other need isn't possible. We have the commitment to those employees to maintain their employment and most of them are inspectors. The 7,400 people that are in the plants are most of our employment. And those salaries are guaranteed for the rest of the year as long as they remain with the agency. So there is no money to be reprogrammed to hire new inspectors because 90 percent of what we have is committed to the pay costs of people we have on board now.

Mr. MYERS. The other committees that I deal with, reprogramming doesn't necessarily come out of salaries. It comes out of plans to build new facilities. \$4 million is not very much. There are lot of other areas that you can delay to get this started. That is what I am saying.

About once a week we get a reprogramming letter on the other committees that I am serving on. It may come out of the food and safety, yes, but there are other things besides payroll in the food and safety between now and the 1st of October.

Dr. CROSS. One thing we did do. In December, I instituted an agency-wide hiring freeze except on in-plant food inspectors. And this could save a million and-a-half dollars for additional food inspectors.

ADDITIONAL INSPECTORS

Mr. MYERS. Have your legal requirements increased in the past year to a point that would justify the added inspectors?

Dr. CROSS. We are required by law to inspect the carcass of every bird and every animal slaughtered under Federal inspection. We are also required to provide daily inspection of every processing plant. Despite a decline in the total number of inspected establishments, new large high volume plants are steadily replacing dozens of smaller independent facilities. Today, the number of staffing requirements exceeds the number of in-plant inspectors and veterinarians by over 550. The imbalance between workload and available resources will continue to rise, given the trends in industry.

The additional 160 employees will lessen the impact of the increasing amount of meat and poultry to be inspected and help provide a solid foundation for risk-based systems.

Mr. MYERS. I am going to get off of that. It is going to pass anyway. I presume you have enough votes on your side to pass it.

Mr. DURBIN. We can always use your help.

Mr. MYERS. You have been Chairman a few months. You are going to be a Chairman for a lot longer before you get help on that one from me.

Did the outbreak of the E. coli out west have anything to do with the request for 160 additional inspectors.

Dr. CROSS. I think it brought focus to the fact that we had the vacancies, but I do not think that having these 160 inspectors on site would have prevented the outbreak.

LABELING REQUIREMENTS

Mr. MYERS. The proposals you have for food safety and handling, the cooking instructions, you say you have promulgated all of those. And part of this is the handling that is going to go on the labels and all of this; is that right?

Dr. CROSS. That is a component of the pathogen plan. We are in the process of developing those guidelines into a regulation that we hope to propose to the Secretary by the end of May.

Mr. MYERS. Somehow I thought that had already been done.

Dr. CROSS. No, it has not.

Mr. MYERS. And—something that concerned me—why do we do that? Why do we need this labeling.

Dr. CROSS. We think we need to do whatever is necessary to communicate to people that handle the food in the food services to make certain they know how to handle the food. We need to make sure that we do everything that we can to make the consumer aware of their role in food safety, handling, cooking, temperature controls, et cetera.

We think that is a key component of food safety as is what we do all the way back through the system.

Mr. MYERS. Well, with the exception of E. coli and a few others that you have had, another minor thing, is it really that important to have this and go to this extent?

Dr. CROSS. Yes, we think it is.

Mr. MYERS. Then why did you exempt small businesses? I am talking about teaching people how to cook and all of that. Is that what labeling something is going to do?

Dr. CROSS. We are not exempting small businesses for that. We did exempt small businesses for nutritional labeling. However, exemption decisions have been made regarding safe handling labels for meat and poultry.

Mr. MYERS. Why nutrition if we are going to exempt small businesses? The consumer doesn't know where that hamburger was prepared and packaged.

Dr. CROSS. Our proposal that was finalized in January did, in fact, exempt small businesses. Even with that, we are covering 90 percent of all the processed meat and poultry in this country with these labeling requirements. So the exemption is not that significant. And the reason we did it, of course, is because we thought we would have a very negative economic impact on the small businesses.

Mr. MYERS. I think the testimony was that 97 percent of the food processors are wholesome now and without any contamination. Yet

you are going to go along and have labels on the remaining percentage because it does exist. Is the same true about nutrition?

Dr. CROSS. No, I think the statement that was made by Congressman Skeen was about food handling. We think that the food handling labeling that we are going to propose will alleviate a lot of those problems. It will instruct the consumer, the food service operator, it will instruct the retail meat cutter and retail employee as to how to properly handle food.

Mr. MYERS. I am certainly an advocate of small business. I am not trying to put any burden on them. But if the concern is to protect the consumer, how can you exempt-whatever percentage it is—how you can exempt them from these regulations is beyond me. It doesn't seem consistent.

Dr. CROSS. We are not going to exempt them from the safe handling, but in the nutrition area it was justified because of the economic impact on the small businesses.

Mr. MYERS. But go ahead and be punitive to the big business though.

Dr. CROSS. We don't think it is punitive.

Mr. MYERS. But you are going to exempt the small ones.

Dr. CROSS. I think you will see that the big businesses are looking forward to the food nutrition labels.

E. COLI OUTBREAK

Mr. MYERS. Do you feel that the fault of the outbreak of the organism lies with FSIS? In other words, is increasing the amount of food inspectors going to ensure that a similar situation does not occur?

Dr. CROSS. There is no way that FSIS can ever ensure that a product contains no bacteria. Certainly not at the retail or consumer level where it might have become contaminated by mishandling. Increasing the number of inspectors will never eliminate all bacterial contamination of the product. What the increased numbers of inspectors will do is provide a more thorough coverage of the plants and thereby reduce the likelihood of contamination by ensuring that plants operate in a sanitary manner, and that they handle and process the product according to inspection requirements.

NUTRITION LABELING

Mr. MYERS. Last year USDA proposed to defer the nutrition labeling requirement for retail meat and poultry from May of 1993 to May of 1994. Is this deferral still effective?

Dr. CROSS. The implementation date for compliance with nutrition labeling requirements for meat and poultry products is July 1994. USDA's implementation date was set at 18 months after publication of the final rule, which would have been May 1994 since the Agency originally sought to publish on November 8, 1992. How-

ever, to ensure consistency between USDA and FDA concerning the label format, publication of regulations was delayed until January 1993, thereby delaying the final implementation date to July 1994.

Mr. MYERS. How would this impact your proposal to mandate safe-handling and cooking instructions?

Dr. CROSS. The July implementation date should not have any impact on our proposed safe-handling and cooking requirements. The two initiatives are not linked. If we find that linking them would be efficient and effective, we will consider doing so.

AGENCY EMPLOYMENT

Mr. MYERS. President Clinton is proposing to decrease the number of workers in all federal agencies. Is FSIS exempt from this proposal?

Dr. CROSS. In keeping with President Clinton's proposal, the total number of employees at the Department of Agriculture will decrease, but within the Department, there will be an exception in the Food Safety and Inspection Service. The Agency's budget request for fiscal year 1994 will propose to hire additional inspectors.

Mr. MYERS. Did you seek an increase in your current employee level of 7400 food inspectors and veterinarians in your FY94 request to OMB?

Dr. CROSS. The fiscal year 1994 budget request to OMB included funds for the hiring of 649 additional inspectors, which would have provided staffing for all vacant inspector positions, as well as anticipated industry growth during 1993 and 1994.

Mr. DURBIN. Thank you, Mr. Myers.

Mr. Peterson, do you have any questions?

IRRADIATION

Mr. PETERSON. Thank you. I am sorry that I came in late. If there is a redundancy in my questioning, say so.

I have an interest in the irradiation process, and, clearly, it is a major breakthrough to providing a safe product. Of course, it doesn't get into the handling after the fact, but I understand that it does do some very good work. And in Florida we are already well involved in that in some areas.

However, when you put the big sign on top that says this product has been irradiated, the consumer is not too happy about that. Have you addressed that from the standpoint of expanding this, number one, into other areas or recommending that it be done in other areas?

Then, two, have we done any work on the education process in regard to the American public to demonstrate that, not only is it good for the inspection process, it is good for the consumer?

Dr. CROSS. As you know, Congressman, we approved irradiation for poultry last fall. It has not been used by the poultry industry. We are not convinced that the consuming public would resist irradiated food products because of some of the evidence that is coming out on fruits. We would very much like to see the industry use irradiation to let the consumer decide whether they accept it or not.

Some of the consumer studies that we have seen from the universities have led us to believe that the consumer would accept irradiation with its label. We are going to put red meat, particularly beef, on a fast track for Food and Drug approval for irradiation because we think that irradiation for all meat and poultry is a good system that could and should be used to reduce pathogen levels.

Mr. PETERSON. When you do that, will that ultimately reduce the requirement for the number of inspectors in those plants?

Dr. CROSS. We are not sure. We must look at the approach that we are taking on pathogen reduction. We are taking an approach that will look at HACCP, identifying critical points, and trying to monitor those points. We will be using what we call a prevention system or intervention system.

Examples would include the use of organic acids at the beginning of processing right after the hide is removed, or the use of trisodium phosphate in poultry. Irradiation could be classified as an intervention system. Hopefully, the use of these systems on a voluntary basis by industry would lower the baseline on pathogens. If it does not, I think we will be looking at mandatory use of these systems.

We look at Track II system for meat inspection based on risk. It could have an impact on where we place our inspectors, but we still must continue organoleptic inspection. We still have to make sure that a carcass is not physically contaminated. We still have to make sure that right temperature controls are used during the processing of that product.

So it is too early for me to say whether we will or will not have fewer inspectors doing the same thing or different things, but it is going to be a dynamic situation over the coming months and years.

Mr. PETERSON. Is the installation of this equipment so capital intensive that the players would not do this voluntarily?

Dr. CROSS. It is difficult to say why they are not doing it voluntarily. Part of it may be because of their fear of consumer reaction. I would hope that it is not because of the cost because the cost is not that excessive on a per-pound basis. Hopefully, we are going to be providing incentive as we do microsampling over the coming months and years for industry to gladly look at some of these intervention systems.

Mr. PETERSON. It seems that we have a great argument. The consumers are buying this, and they are taking it home, putting it in their microwave. So you have just done a little upfront work on it from that standpoint. So we have got to educate the public in regard to the use of this process to take away the fear. Because I know in central Florida it was a real problem, initially, to get that one operation going down there.

Dr. CROSS. We agree.

Mr. PETERSON. I am concerned about the vast increase of food-stuffs that are on our American tables being brought in from outside the country. And, right now, it seems to me that we have all sorts of Federal agencies running into each other at the border. USDA is there, FDA is there, and the Customs folks are there—and probably some others. Is there, in your mind, an opportunity to merge roles and missions here to make this perhaps more precise? Because I don't even know if you are inspecting the same items in

that process. Or if the opportunity is there to cut down the manpower or the personnel requirement.

Dr. CROSS. Congressman, there is not a great deal of overlap in what the different agencies inspect. We primarily concentrate on meat and poultry, and so we don't overlap a great deal with Food and Drug. There is always an opportunity to be more effective in the way that we communicate with one another and work together. That is a very high priority for me personally.

If the E. coli outbreak has taught us anything, it has taught us that we have to be closer with our sister agencies, and perhaps more importantly with CDC in Atlanta. I don't think there is a great deal of overlap, but there is a need for enhanced communication and cooperation, perhaps even sharing of resources and responsibilities.

Mr. PETERSON. I just think there has to be a great opportunity to consolidate under one commander. There is no room in this time of tight resources for turf protection or overlap in the spending of resources.

And I would ask that that be looked at. Because if there is some savings to be made it is clearly in reducing the redundancy in American bureaucratic government. I mean, it is a disaster and I have seen it in a number of USDA units that walk through here. I am convinced that there are agencies within the USDA that are stepping on one another every day.

Dr. CROSS. We have begun dialogue a few weeks ago with the CDC and, of course, APHIS in USDA. Secretary Espy didn't want turf protection. He wants a total program, and I think he is going to get it.

Mr. PETERSON. Thank you.

MICROBIOLOGY COST

Mr. DURBIN. Do we have any idea what it is going to cost? Can you give me an estimate?

Dr. CROSS. Steve, can I give him an estimate or am I not supposed to talk about it until we get the President's budget?

Mr. DEWHURST. Give him a rough estimate.

Dr. CROSS. The agency, Mr. Chairman, spends \$7 million on the things that we do in the microbial front. The pathogen strategy, that we are estimating is an additional \$10 to \$11 million ballpark figure in each of the next four years.

Mr. DURBIN. What will that buy us?

Dr. CROSS. That is going to buy you a dramatic change in the way that we do business in microbiology. It is going to buy you a dramatic change in the pathogen levels in meat and poultry supply. It is going to buy you enhanced consumer confidence in the meat and poultry inspection system.

Mr. DURBIN. Specifically, I assume it means more personnel?

Dr. CROSS. Not necessarily. The \$8 million to \$10 million per year that I am referring to is not intended for additional agency personnel. It is to implement the pathogen strategy, through heavy micro-sampling, heavy research on rapid methods, and preharvest research that will be done through the Department and with the universities.

Mr. DURBIN. Is your current inspection team up to the task, of moving from visual inspection to microbial inspection?

Dr. CROSS. They are not there yet, but they will be. We have learned a lot through the national baseline on steer and heifer when we initiated that last fall, and we are going to build on that experience. We are doing enhanced training in microbiology at our national training center. So, in answer, yes, they will be ready.

DUPLICATING ACTIVITIES

Mr. DURBIN. So you are talking about upgrading the skills of current personnel to meet these needs. I might tell you, following up on Mr. Peterson's line of questioning, the thing that is starting to trouble me greatly is not that we are concerned as a Federal government about the safety of food because that, I think, is a legitimate government function, but, as Mr. Peterson alluded to, it is the duplication of services.

The Food and Drug Administration inspects a variety of commodities including fruits and vegetables and seafood products, your agency inspects meat and poultry products, the Agricultural Marketing Service does egg inspections; the Commerce Department does voluntary seafood inspection; and EPA has a hand in all inspections relating to residue tolerances.

It strikes me that if we are going to be more efficient, we have got to find a way of consolidating these efforts to avoid duplication and come up with a common standard, not only for the consumer but for the industries that are affected.

I recall visiting the Food and Drug Administration's inspection process at the Mexican border in Nogales, Arizona and finding two or three different teams of people from the USDA doing slightly different things to the same truckloads of fruit and vegetables coming across the border. So, as we move into this revolution, we need to talk about changing functional responsibilities by the Department as part of it?

Dr. CROSS. I think the first thing we need to do, Mr. Chairman is to look for redundancies. We have to work closer together as agencies and we have to eliminate redundancies. We are committed to doing that.

Mr. DURBIN. What redundancies are there that you know of, as you sit there, between your agency and another Federal agency?

Dr. CROSS. That is a good question.

I think the key thing is risk and how we interpret risk, how we allow risk and how risk is interpreted in the different statutes that we work under. We need to have the same risk approach, the same risk language in our statutes. That is the first thing. We have got to make sure that we are not stepping over each other as we did with retailers and food service establishments.

Our approach to Food and Drug, for example, is that we don't do things in developing regulations that go over on top of things that they already have. We talk to them on a constant basis.

Dr. Shank, who is the head of the Center for Food Safety, is the Vice Chairman of the National Advisory Committee for Microbiological Criteria with me. We communicate closely. We know that we

would get into a problem if we decided to duplicate regulations and programs.

Mr. DURBIN. You cannot specify any redundancy at this point between your agency and another Federal agency?

Dr. CROSS. Nothing comes to mind.

Ms. HOLLINGSWORTH. Unfortunately, I came up with two examples, but they are examples where we do not have redundancy or tried to eliminate them. One is with the grading system. Meat and poultry are graded under a user fee system that is implemented through the Agricultural Marketing Service. We do have a memorandum of understanding with AMS on cross-utilization of graders and inspectors so that if we need to use a grader for inspection if a plant is isolated with a small production, we cross-train a grader to act as an inspector. We do the same thing-train inspectors to be graders.

Another situation where we eliminate redundancies is that there are some plants that are producing meat and poultry products side by side with a nonmeat product. We would have jurisdiction over meat and poultry, FDA of the nonmeat. Most of these are processing plants. As we have daily inspection in those plants, we will also cover the nonmeat and poultry products for FDA and report to them any problems that we have with the nonmeat products.

Mr. DURBIN. That is a good example and shows a good approach to managing, whether it is a plant with different capacities or a remote location. Perhaps it is a model we ought to apply beyond those two situations to try to upgrade the skills of the people who are in the inspection business so that they are not only looking at food safety but other quality issues as well, such as the grading that, APHIS does. That strikes me as a possibility that we ought to explore. I don't know if it would save the taxpayers money, but if we could have one Federal inspector on the premises meeting the needs of the consumer, it surely is going to save us money.

IRRADIATION

I want to thank my colleague for getting into the irradiation issue. Do we have any ongoing research to establish more consumer confidence in the irradiation process?

Dr. CROSS. I wouldn't call it research, Mr. Chairman. We do have ongoing activities to communicate to the consumer the advantages of irradiation. If you look at the problems that we read about and hear about and some of the fears that the consumer has in regard to irradiation, you could almost be reading the same script at the turn of the century. Regarding the fears dealing with pasteurization. We are going to have to address those fears, and we have programs ongoing and planned in the agency to address those in an aggressive fashion.

Mr. DURBIN. Would they be consumer-oriented programs?

Dr. CROSS. Very much so.

Mr. SMITH. Before you do that, can I ask a question?

Would you give us the timetable on the approval of poultry and beef?

Dr. CROSS. Poultry was approved last fall, and for beef we are looking at something less than 18 months.

Mr. SMITH. Why does it take that long?

Dr. CROSS. There are research voids in regard to beef that have to be completed, and much of this research is currently being funded by the industry to fill those voids. We have already had key meetings with the industry and the scientific community to make sure that we agree where they are. They are on a high-priority path.

Mr. SMITH. Have you been through the beef plant that Ames has?

Dr. CROSS. Yes.

Mr. DURBIN. You are always plugging it.

Mr. SMITH. That was one of those dirty earmarks, too.

Mr. MYERS. Would you invite us out sometime? I am serious. We ought to go look at it.

Mr. DURBIN. Before we leave the question of change in inspection standards, do you anticipate imposing any user fees on the industry to help pay for this change-over?

Mr. DEWHURST. The President's budget proposed inspection fees for all shifts other than an approved primary shift.

Mr. DURBIN. Are there any proposals beyond that?

Mr. DEWHURST. No, sir.

MEAT WHOLESOMENESS

Mr. DURBIN. Let me return to the line of questioning on zero tolerance and fecal matter. The staff heard you say at one point that this was not new. What was going on here was a restatement of existing policy at your agency?

Dr. CROSS. Plus we changed the location in the slaughter process where we remove the fecal matter.

Mr. DURBIN. Is Deputy Administrator Horne here today?

Dr. HORNE. Yes.

Mr. DURBIN. Glad to have you. Let me try to follow this sequence through. I am trying to get this chronology of events understood. Let me tell you what I understand happened. Dr. Horne released a memo March 2 on zero tolerance of fecal matter in beef? The same day a Mr. Kelly, the Regional Director in Topeka, Kansas, released a memo to all of the inspectors-in-charge in his region saying here is what Dr. Horne means when it comes to applying this standard on the processing line. A day or two later a representative of the industry met with Dr. Cross and Dr. Nelson. This representative, Dell Allen from Excel Meat Processors, was complaining that he didn't think the standard was fair. Then, on March 4, your agency rescinded Dr. Horne's memo and Dr. White has been quoted as saying, its because the memo was issued before the zero-tolerance standard had been formally implemented. This is a strange chain of events here.

Dr. CROSS. Let me answer that.

Let me start from the beginning, Mr. Chairman. When we were investigating the outbreak, the first thing that we did—

Mr. DURBIN. Meaning the Jack-in-the-Box E. coli outbreak?

Dr. CROSS. Yes. We identified numerous suppliers to the plants in California that produced the patties. As a natural course of events I ordered that those plants be reviewed immediately to make sure

that things were going on the way they should be going on as far as the inspection program was concerned. Generally, the reviews were very good.

In a few instances, I didn't like what I saw so I asked Mr. Horne to instruct his personnel to make sure that we were applying the zero fecal policy. I asked him to have five of his regional directors meet in Lawrence, Kansas, and discuss how this policy was to be applied to make sure there were no misunderstandings. And, with regard to that, we were going to have to make changes in the way that we had the fecal material removed.

Dr. Horne wrote his memo and the Regional directors communicated to their areas about what was coming. Unfortunately, one of them wrote his own memo before Dr. Horne's memo got there. One of the concerns that I have was that it be consistently applied across the country. So as soon as we knew that the area memo had been written, I asked Dr. Horne to rescind that, mostly because I only wanted one out and that was his.

Mr. DURBIN. What was in the Topeka memo that you found objectionable?

Dr. CROSS. Basically, the tone.

Dr. HORNE. It was basically the tone. It doesn't say anything we hadn't said before. It was assuming that this industry was not going to comply with a lot of these things.

For instance in, requiring the trimming of milk, the Topeka memo says that if plants don't do it properly, you meet with management and get a plan. If they still don't comply, you slow the lines down. If they still don't comply, you shut the plant down.

These are things that may become necessary, but it is not the type of thing that you would elaborate in the memo. It was read by the industry as an indictment of all the industry; that they are automatically not going to comply.

Mr. DURBIN. I might say, and I don't know Mr. Kelly, but his last paragraph says, Dr. Cross wants our actions to be defensible, look at obvious contamination and don't nitpick. From an industry viewpoint that is a pretty reasonable thing to say is it not?

Dr. HORNE. Yes, it is. The choice of the word "obvious" was his choice. What we have been saying is identifiable, and I see a big difference. There are spots on carcasses that are not required to be trimmed because they are not either ingesta or feces. If you can identify it as feces it has to be trimmed.

Mr. DURBIN. Let me ask you this. This memo from Mr. Kelly, did it or did it not tell inspectors that simply trimming contamination from the carcasses was not sufficient and that companies should take steps to prevent contamination in the first place?

Dr. CROSS. Yes.

Mr. DURBIN. Is that your opinion?

Dr. CROSS. Yes.

Mr. DURBIN. And, regardless of how Mr. Kelly articulated it, is that your policy?

Dr. HORNE. Our policy is to prevent it. He did go too far in saying that they are not allowed trimmers. If we want them to get it off the product, we have to allow them to do whatever is necessary. But my original memo stressed prevention by the plant.

Mr. DURBIN. The memo said to make sure that the processing lines moved no faster than Federal regulations allowed so that there could be adequate inspections. Is that the policy of the agency?

Dr. HORNE. Lines must be held to a speed consistent with adequate inspection. That is the policy; stated or unstated, yes.

Mr. DURBIN. I have a problem figuring out what is wrong with Mr. Kelly's memo. You talk about tone, and I understand there can be some concern about application as to whether the standard is being applied improperly, but you have yet to come out and say that there is a specific thing in the Topeka memo that is in violation of existing agency policy.

Dr. HORNE. No. As a matter of fact, everything that is in the Kelly memo was discussed and basically agreed to in the Lawrence, Kansas, meeting to which Dr. Cross referred. In our meeting with the regional directors, they agreed to verbally communicate to the supervisors to implement it throughout the country.

You have to understand that Dr. Kelly is an area supervisor and has a limited area that he is responsible for in two states. So in those two states we could have standards that were being implemented that were different than the rest of the country. I wanted everybody to read it the same and we agreed on that.

Dr. CROSS. And that, basically, Mr. Chairman, was the basis of our phone conversation with Dr. Allen. I did not tell him to do anything except to let the regional directors know when there were inconsistencies in the application of this policy.

Mr. DURBIN. And to give you the names of inspectors.

Dr. CROSS. No, I did not ask for that. I asked him to tell us if there were inconsistencies in the application of Dr. Horne's policy, not in the memo that he sent out. That they were to immediately let the regional director know what that inconsistency was.

Mr. DURBIN. It seems to me that either Dr. Kelly is a very talented, efficient and impressive individual to be able to compose a memo the same day that you were putting one out or he had an idea where you were headed and came up with an idea to put it in writing.

Dr. HORNE. He did have an indication of where we were headed because the regional directors had called all their area supervisors—there are 26 area supervisors in the Nation and five regional directors. They had called following the meeting in Lawrence, Kansas, to discuss the special reviews that are happening right now. That was the main thrust of the meeting. And part of that is to check for zero tolerance.

In that discussion, Dr. Kelly decided to alert his people of the reviews that included the zero tolerance.

Mr. DURBIN. You have to put it in the context of dealing with an E. coli outbreak that has taken human life and inspired your original memo, and trying to ensure consumers that we are serious about eliminating that threat to their health. Here we have a memo followed by another memo and, as a result, you pulled all the memos.

Dr. HORNE. No, the only memo that has been rescinded is the Topeka memo. My memo is still there.

Mr. DURBIN. But, obviously, Dr. Kelly went into more detail than you did, right?

Dr. HORNE. He went into more detail in writing, but everything that was in his memo was discussed by the regional directors with their staffs.

Mr. DURBIN. Was the intervention of industry, which obviously wasn't happy with its tone related to the net result, that your agency rescind the memo?

Dr. CROSS. I would have rescinded any memo because I only wanted one memo. I wanted Dr. Horne's memo out there.

Mr. DURBIN. But Dr. Kelly was taking Dr. Horne's guidelines and trying to make them real for the processing plants. Dr. Kelly felt that putting it in writing was the best way, and you are saying that you don't want it put in writing.

Dr. CROSS. If it is going to create inconsistent application of what I want the national policies to be.

Mr. DURBIN. We will take a look at this.

Dr. CROSS. I am sending unannounced review teams all over the country to come back and tell me whether it is being applied inconsistently.

Mr. DURBIN. Ms. Kaptur, do you have any questions?

THIRD-PARTY SHIPMENTS

Ms. KAPTUR. I do. I apologize for being late.

I will not take up a lot of time, but I wanted to ask Dr. Cross if, in fact, there are shipments of third-party meat that come to the United States through Canada or Mexico. Assuming NAFTA is approved, should the U.S. have concerns about third-party shipments under the currently negotiated agreement? Where would our country redress its grievances?

Dr. CROSS. Basically, Congresswomen, the NAFTA will have no impact on our current policy in regard to importation of meat from any country, particularly Canada and Mexico. So, really, there would be no changes in our policy in regard to public health protection.

That probably didn't answer your question, but—

Ms. KAPTUR. So, tell me, if a consumer or a company had concerns, if a farmer had concerns and wished to seek redress, then what is the structure that is available to them?

Dr. CROSS. They could come straight to the Department, to me or the Secretary's office.

Ms. KAPTUR. What if we get involved in some sort of legal wrangling? Have you been involved in this before between nations and, therefore, there is a procedure?

Dr. CROSS. Basically, when we deal with other countries, we will get the U.S. Trade Representative Office involved.

IMPORT AND EXPORT PRODUCTS

Ms. KAPTUR. If a country is trying to circumvent quotas, tariffs, whatever, could you also give me a sense of imported meat coming into the United States now over a period of time, what has been the percentage increase?

Dr. CROSS. I will provide that for the record.

[The information follows:]

Between 1982 and 1992, the number of pounds of imported meat and poultry products has increased from 1.9 billion pounds to 2.6 billion, an increase of 36 percent. The following table shows the total pounds of meat and poultry imported into the United States each year:

Year:	<i>Pounds</i>
1982.....	1,921,641,672
1983.....	1,983,236,354
1984.....	2,177,074,156
1985.....	2,448,894,076
1986.....	2,437,117,022
1987.....	2,619,518,987
1988.....	2,811,661,278
1989.....	2,542,636,781
1990.....	2,625,355,750
1991.....	2,644,660,167
1992.....	2,617,723,278

Ms. KAPTUR. And could you talk about what has been happening about the meat exports and meat imports into the country; the nature of those and the volume increases?

Dr. CROSS. I am going to ask Mr. Manis to join me at the table. He may have those figures.

Ms. KAPTUR. Thank you very much.

Mr. MANIS. With respect to the amount of product coming into the U.S., it has been rather steady at about 10 percent, and there are about 33 countries that export to the U.S. Of those, there are three or four that predominate: Canada, Australia and New Zealand.

I hope that answers part of your question.

Ms. KAPTUR. What has been happening with the meat imports from Mexico?

Mr. MANIS. They are rather small. The total is about 1 million pounds from Mexico, out of a total of 2.2 billion pounds exported from all countries.

Ms. KAPTUR. What type of product comes from Mexico?

Mr. MANIS. Mexico is approved to export into the United States meat products. They are not eligible to export poultry.

The agreement would not change in any way the eligibility for countries to export products.

Ms. KAPTUR. So they would be able to send in beef, pork?

Mr. MANIS. That is correct. The point here is that we have a rather elaborate process to approve a country to export poultry. There are only four countries, and that process takes many years of investigation to determine the comparability of the system. That process would not change under the agreement and would be the same.

So notwithstanding a free trade agreement, Mexico or any other country would have to meet all of our requirements to be eligible.

Ms. KAPTUR. Of the current imports that are coming in from Mexico, are those imports from U.S. processing firms in Mexico or Mexican firms or other foreign firms operating in Mexico?

Mr. MANIS. We would have to supply that information.

Ms. KAPTUR. Could you do that? I am trying to disaggregate the numbers and really understand the nature of the trade that is occurring between our two countries right now and the types of fa-

cilities that are located there which currently exist or could expand once this agreement is in place.

Mr. MANIS. We will supply that information for the record.
[The information follows:]

The plants in Mexico authorized to export product to the United States are corporations, like most of those in the U.S., and FSIS has no information on the nationality of the stockholders. One of the 12 plants bears the name Cargill Foods and we assume that it is affiliated with the U.S. company of the same name.

Mr. MANIS. I think a telling point that any expansion would occur regardless of a treaty because of the requirements that will remain in effect. The requirements will not change, and there are approximately a dozen plants that are eligible to export to the U.S.

Ms. KAPTUR. A dozen meat plants, sir?

Mr. MANIS. Yes.

Dr. CROSS. And the level of trade is significantly U.S. to Mexico in a very large magnitude. We will supply the specific numbers, but I do know it is 1 million pounds of Mexican product, but the amount of U.S. product being exported to Mexico is greater than the Mexican product coming in.

[The information follows:]

U.S. DEPARTMENT OF AGRICULTURE, FOOD SAFETY AND INSPECTION SERVICE—MEAT AND POULTRY
PRODUCTS EXPORTED/IMPORTED BETWEEN THE UNITED STATES AND MEXICO

[In pounds]

	Exports to Mexico	Imports from Mexico
Meat	494,692,000	1,033,926
Poultry	285,369,000	0
Total	780,061,000	1,033,926

Ms. KAPTUR. I know that is true.

Mr. MANIS. From a food safety inspection standpoint, the requirements that we employ today are the same we would employ tomorrow, so that is not part of the issue.

Ms. KAPTUR. If you look at the million pounds that come in on an annual basis, there are 12 processing companies located in Mexico.

Mr. MANIS. Yes, but I believe not all of them actually export. In other words, this is true for most countries. A certain number of plants that are eligible to export to the U.S. in fact do not do so.

It is an interesting factor because other than Canada, where all plants are eligible, countries have to designate certain plants. There are a lot more than 12 plants in Mexico, but only these 12 plants have been put on the list and not all of them export. That is the case in most countries that export to the U.S.

Ms. KAPTUR. Of those twelve, who inspects those plants the Mexican government or do we?

Mr. MANIS. We have Foreign Program Officers that go to all countries to inspect the plants to determine that the inspection system in the foreign country is equal to ours. We go to Mexico as we go to all the other countries to not only look at plants, but laboratories and other capabilities to ensure that the U.S. require-

ments are being met. They need to be met if a country is to export to the U.S.

Ms. KAPTUR. Now once that product is processed and it is coming over the border, is it inspected again or do you merely just approve the plants in some way?

Mr. MANIS. Our system is twofold. The first is to go to the foreign country, including visits to plants, to make determinations on the comparability of their whole system. The second is to do inspection at port of entry.

In the case of Mexico, it would be at the border. For the most part, products such as boneless beef coming into the U.S. are further processed.

We get a lot of that product from other countries. The product is further processed in U.S. processing plants where it is subject again to inspection by USDA inspectors.

Ms. KAPTUR. One hundred percent of the meat that is coming in from Mexico would be reinspected then?

Mr. MANIS. At the port of entry.

Ms. KAPTUR. You said that that didn't happen, that it was really through the processing plant in this country when it was reprocessed that it was inspected again. So I am asking would 100 percent of that fall into that process now where it would be reprocessed in the U.S. plant and be reinspected?

Mr. MANIS. Anything that is exported to the U.S. is subject to random inspection either at the border or port of entry. That is anything that has already been approved for export and certified by the exporting country.

Ms. KAPTUR. By Mexico or for that matter any other country?

Mr. MANIS. Yes, and it has an inspection system that has been approved by us that certifies every shipment into the United States. We can only import products from approved plants in countries that have certified every shipment as meeting our standards.

Once it enters the U.S. border at a port, it is then subject to random inspection. Imported products are potentially all subject to inspection.

Ms. KAPTUR. May I interrupt you? What percent of all meat product coming into the United States is actually inspected versus the universe that is out there? What percent? One percent? Three percent? Ten percent?

Mr. MANIS. I think it would be best to supply you that information. It not only varies from country to country, but also from plant to plant.

If a plant has a detected problem then we do subsequent, intensified inspections. We are happy to supply that information, by country.

[The information follows:]

U.S. DEPARTMENT OF AGRICULTURE
FOOD SAFETY AND INSPECTION SERVICE
IMPORTED MEAT AND POULTRY PRODUCTS
FOR CALENDAR YEAR 1992

COUNTRY	# OF POUNDS PRESENTED FOR IMPORT INSPECTION	# OF POUNDS INSPECTED	PERCENT INSPECTED
Argentina	114,856,695	75,902,858	66.08%
Australia	855,985,536	208,813,180	24.39%
Belgium	9,549,960	6,587,940	68.98%
Brazil	44,163,782	33,778,801	76.49%
Canada	767,841,409	151,476,463	19.73%
Costa Rica	33,936,928	4,012,367	11.82%
Czechoslovakia	34,296	34,296	100.00%
Denmark	145,804,517	56,863,425	39.00%
Dominican Republic	13,523,401	5,851,801	43.27%
Finland	2,168,214	1,279,256	59.00%
France	426,575	299,012	70.10%
Germany	139,135	139,135	100.00%
Guatemala	15,006,440	3,413,119	22.74%
Honduras	35,345,686	7,933,615	22.45%
Hong Kong	1,086,950	221,387	20.37%
Hungary	14,699,678	6,822,034	46.41%
Ireland	1,212,085	744,182	61.40%
Israel	723,451	248,178	34.30%
Italy	921,865	319,253	34.63%
Japan	12,227	8,612	70.43%
Mexico	1,033,926	865,766	83.74%
Netherlands	16,293,198	8,881,472	54.51%
New Zealand	503,846,743	136,002,633	26.99%
Nicaragua	13,582,244	4,816,814	35.46%
Poland	9,134,098	4,761,932	52.13%
Romania	851,715	812,115	95.35%
Slovenia	72,576	72,576	100.00%
Sweden	6,241,858	3,491,388	55.94%
Switzerland	70,927	65,901	92.91%
United Kingdom	115	115	100.00%
Uruguay	12,755,792	8,016,701	62.85%
Yugoslavia	4,634,530	3,318,004	71.59%
TOTAL	<u>2,625,956,552</u>	<u>735,854,331</u>	<u>28.02%</u>

Ms. KAPTUR. I am particularly interested in the infrastructure in Mexico right now and how we are inspecting what is coming through there and which of those twelve companies. I would like the names of those 12 companies and their locations.

Mr. MANIS. We will identify, for the record, the twelve companies eligible to export to the U.S.

[The information follows:]

The twelve meat plants located in Mexico are:

Cargill Foods, S.A. de C.V.
Blvd. Isidro Lopez
Zertuche 4469
Saltillo, Coahuila

Enlatadora de Magdalena, S.A. de C.V.
Cerca Estacion de Ferrocarril el Pacifico
84160
Magdalena, Sonora

Pelcer, S.A.
Fraccionamiento
La Joy Santiago
Tulantepec, Hgo.

Empacadora de Carnes Unidad Ganaders, S.A. de C.V.
Avenida Universidad
No. 1902 Apartado
Postal No. 570 C.P. 20010
Aguascalientes, AGS

Frigorifico y Empacadora de Tabasco, S.A. de C.V.
Avenida Adolfo Ruiz
Cortinez No. 2223
Unidad Ganadera C.P. 86100
Villahermosa, Tabasco

Lala Industrias Carnicas, S.A. de C.V.
Pradexis De La Pena
270 Apdo. Postal 52
Surcusal "A" DC.
Industrial Torreon 270560
Torreon, Coah.

Sana Internacional, S.A. de C.V.
Avenida Miguel De La Madrid
Parque Industrial
San Ouis Rio
Colorado, Sonora

Trosi De Carnes, S.A. de C.V.
Tercera Poniente No. 304
Parque Industrial
Monterrey 66600
Apodaca, Nuevo Leon

Cortes y Procesos De Carne De Sonora, S.A. de C.V.
Calle De Los Tarahumaras
S/N Parque Industrial
Hermosillo, Sonora

Empacadora S.K., S.A. de C.V.
Libramiento Noreste
Km. 25 S/N
Carr. Laredosalttillo
Escubedo, Nuevo Leon

Agropecuarios Deshidratados Del Norte, S.A. de C.V.
Avenida Nogalar 901 Sur
Gracc. Industrial
Futuro
64000 SN
Nicolas De Los Garza, Nuevo Leon

Alimentos y Manufacturas Del Norte, S.A. de C.V.
Boulevard Zaragoza
No. 6265
Parque Industrial
Zaragoza 32690
Cd Juarez, Chihuahua

Ms. KAPTUR. Thank you, Mr. Chairman.

Mr. DURBIN. Any other questions?

NAFTA

Mr. MYERS. NAFTA will not have any impact upon this transshipment?

Mr. MANIS. That is correct. NAFTA will have no impact on any aspect of inspection.

Mr. MYERS. Or quality—NAFTA won't affect the quality; you check it anyway, correct?

Mr. MANIS. Our system of inspection is based upon a system of scientific and technical determinations. Those determinations that are in effect today will also be in effect in the future.

Ms. KAPTUR. I understand that, but I am trying to understand the nature of the currents and as two-way trade increases and as investment in Mexico increases, certainly in processing the component which our system is capable of ensuring food safety, I have not decided that the system is as good as it should be.

Mr. MANIS. The underlying premise is that any country that exports to the U.S. has to meet our standards or is not eligible to export. We have 33 countries that meet those standards. We go through a process of ensuring that that is the case at the onset as well as in the future.

Mr. SMITH. Will the Chairman yield?

Mr. DURBIN. Yes.

E. COLI

Mr. SMITH. You didn't mention this, but the volume is determined by the quota system. It used to be upside down, but now its dependent on the volume that is needed in manufacturing. Have you determined whether this E. coli was carried by fecal material or not?

Dr. CROSS. No, we have not, and it is very unlikely that we will be able to trace the source of this E. coli.

SEAFOOD INSPECTION

Mr. SKEEN. Mr. Chairman, one last question. I know it may not be appropriate to meat and poultry, but what has happened in the controversy over the seafood inspections? Who is handling that and what is the status?

Dr. CROSS. Basically seafood is still handled by Commerce, Food and Drug, USDA—

Mr. SKEEN. Whose turf is it on?

Dr. CROSS. Food and Drug Administration and Department of Commerce.

Mr. SKEEN. Did they expand their system or have they expanded it?

Dr. CROSS. To my recollection, I think Food and Drug has expanded their system, but I am not aware of the details.

Mr. SKEEN. I just thought I would take advantage of you and get an update on that.

Thank you very much.

FOOD INSPECTORS

Mr. MYERS. I have one follow-up on the 160 additional food inspectors. What kind of criteria is going to be required from the individuals that you are going to be employing. What kind of experience or training will they have to have?

Dr. CROSS. Basically the Office of Personnel Management has the requirements for the GS-5 inspectors. The training program takes approximately one year. A lot of it is onsite and a lot of it is in the initial training center in Texas.

Depending on whether the food inspector is being hired for processing inspection or slaughter inspection, that training will vary.

Mr. MYERS. But can we go down to the unemployment line and grab the first 160 people? Is there going to be some requirement in education?

Dr. CROSS. Steve, do you want to comment on the basic criteria for a GS-5?

This is Bill Hudnall.

Mr. MYERS. GS-5.

Mr. HUDNALL. There are several steps involved. First of all, they have to have a background in some way related to meat and poultry and there is a written examination issued by the Office of Personnel Management. Everyone who becomes a food inspector passes that examination, in fact, they are certified to us based on their scores on that examination.

Mr. MYERS. Did I understand that there is nobody in the pipeline that you have ready to bring on? That is what I am trying to find out.

Mr. HUDNALL. We maintain a State-by-State listing of people who have passed the examination who possess the qualifications to become a food inspector and who are eligible to be hired. When you take the examination, you indicate the state in which you wish to be employed. The State rosters are in very good shape.

We are able to hire people quickly when we have the available resources to do so.

Mr. MYERS. If you got the money next week, how soon would you have people down in training?

Mr. HUDNALL. If we got the money next week, we would be able to extend job offers within a matter of days. The people, of course, may have to give notice. In some cases, relocation is necessary so people would actually start coming on the payroll—

Mr. MYERS. If they are unemployed, people have no problem with relocation. This is all about jobs. If they have a job already, then that criteria won't fit, will it?

Mr. HUDNALL. I think if they got a job with us and left their previous employment, then this would create a job where they had been employed.

Mr. MYERS. Sometimes.

Mr. HUDNALL. Sometimes.

Mr. DURBIN. It is my understanding that you have some arrangements with some States where they actually do the meat inspection. In my home State of Illinois, it is my understanding that through a State agency, the Department of Agriculture, meat in-

spection is conducted and I assume it is with some oversight by your agency.

Dr. CROSS. Yes, it is.

Mr. DURBIN. In fact a substantial savings to the Federal government could be realized by having the State inspect meat. Is that true?

Dr. CROSS. Yes. We have 27 States that have their own State programs. We provide half their total costs for meat inspections. We do have oversight on their programs.

Mr. DURBIN. I was asked last Monday in an Ag Advisory Committee, about the Illinois Department of Agriculture being charged \$14,000 a year for a service that was provided by FSIS for some basic laboratory service that they use? Does this strike a chord with anyone; a user fee being charged to State meat inspection programs?

Dr. CROSS. Not unless it is for lab accreditation and that hasn't started. We are developing a policy on that now and reviewing the statutory requirements for such charges.

Mr. DURBIN. Their argument was that they are saving you a lot of money by having a State inspection team do the inspections and you are imposing a fee on them to make it harder for them to do that? If you would get me some information on that so I will be able to answer that question at the next meeting, I would appreciate it.

Mr. MYERS. Following up, you have 6400 meat and poultry plants. The States—I take it you have 27 States that do their inspecting, so there would be that many more in the State plants?

Dr. CROSS. About 3500.

Mr. MYERS. So there are approximately 10,000 plants.

Mr. SMITH. Will the gentleman yield?

Mr. MYERS. Yes.

Mr. SMITH. Not all the plants are inspected in that State. In Illinois, they have some that are federally inspected, too.

Mr. MYERS. You have both State and Federal.

Mr. SMITH. They can have either one.

Mr. MYERS. Either one. I am talking about plants that are doing similar work, there are about 10,000. Does anyone get these little processing plants we used to have, not very many of them where you take your beef in and have it processed.

How many of those in the country are still doing that work that have no inspectors?

Dr. CROSS. Those are what we call custom plants. We will get that information for you.

Mr. MYERS. Okay.

[The information follows:]

There are approximately 2500 small custom slaughterers that are exempt from Federal inspection.

Mr. DURBIN. They do a lot of work with deer meat in that part of the world.

Thank you, Dr. Cross. We will be working on the 1994 appropriation and getting back to you. Thank you very much.

BIOGRAPHIES

JILL HOLLINGSWORTH, ASSISTANT TO THE ADMINISTRATOR, FOOD SAFETY AND INSPECTION SERVICE

Dr. Jill Hollingsworth is the newly appointed Assistant to the Administrator, serving as a representative for the Administrative office within the Department and with outside groups such as industry trade associations, consumer groups, etc. Her background in slaughter operations and inspection enables her to review and advise on a wide variety of proposals, plans, and initiatives related to inspection activities.

From July 1990 to October 1991, Dr. Hollingsworth served as Assistant Director for the Agency's Hazard Analysis and Critical Control Point (HACCP) project. Along with the Director, she was responsible for orchestrating the HACCP Implementation Study, including workshops, model HACCP plan development, and in-plant procedures.

Prior to the HACCP assignment, Dr. Hollingsworth was Director of the Slaughter Inspection Standards and Procedures Division of Science and Technology. This division is responsible for the design, development and testing of inspection programs and to provide technical support for program policy and procedures.

Dr. Hollingsworth began her FSIS career in 1978 as a Veterinary Medical Officer and served as the Inspector-in-Charge at various slaughter and processing plants. She was the Export Coordinator for the Southeastern Region from 1983 to 1986, and the Assistant Area Supervisor for the State of Georgia from 1986 to 1988. She was selected as the National Poultry Correlator in 1988 and was responsible for ensuring uniform interpretation and application of inspection policy for poultry.

Dr. Hollingsworth graduated cum laude from the University of Georgia in 1974 with a B.S. degree in Agricultural Science and received her doctorate in Veterinary Medicine from the University of Georgia in 1977. She is the recipient of numerous awards, including the Dr. Daniel E. Salmon award for the Advancement of the Human Health aspects of Veterinary Science.

Dr. Hollingsworth is from Atlanta, Georgia. She is married and has two children.

WILSON S. HORNE, DEPUTY ADMINISTRATOR, INSPECTION OPERATIONS, FOOD SAFETY AND INSPECTION SERVICE

Dr. Wilson S. Horne is a graduate of Washington State University. He joined USDA as a veterinarian in 1963 in Seattle Washington. During his career with FSIS and predecessor agencies, he has served in many locations throughout the country with continually increasing responsibilities in supervision and management of the meat and poultry inspection program. Dr. Horne is currently the Deputy Administrator for Inspection Operations. In this capacity he is responsible for the day to day operations of the inspection program in 6,400 plants located in all fifty states.

MARK MANIS, DIRECTOR, IMPORT INSPECTION DIVISION, FOOD SAFETY AND INSPECTION SERVICE

Mr. Manis has been employed by the Food Safety and Inspection Service and predecessor agencies since 1977. Previous to assuming his present position he was Director of the Agency's Labor Management Relations Staff. Mr. Manis holds a J.D. degree from American University, an M.A. in political science from the University of Chicago, and a B.A. in political science from Hobart College.

ANN MARIE McNAMARA, DIRECTOR, MICROBIOLOGY DIVISION, FOOD SAFETY AND INSPECTION SERVICE

Dr. Ann Marie McNamara received a Bachelor of Science in Medical Technology from Quinnipiac College in Hamden, Connecticut, a Masters Degree from the University of Minnesota, and a Doctor of Science in Microbiology from the University of Pittsburgh. Following completion of her Doctorate, Dr. McNamara served her Post-doctoral Residency in Medical and Public Health Laboratory Microbiology at the Centers for Disease Control in Atlanta. Dr. McNamara also served as Senior Staff Microbiologist at the National Institute of Health Clinical Center in Bethesda, and since April 1992 has been Director of the Microbiology Division of the Food Safety and Inspection Service.

FOOD SAFETY AND INSPECTION SERVICE

Statement of Dr. H. Russell Cross, Administrator, before the House Appropriations Subcommittee on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies.

Mr. Chairman and Members of the Subcommittee, I am pleased to have this opportunity to discuss the programs and issues of the Food Safety and Inspection Service (FSIS).

I would like to begin with a brief overview of what our Agency does.

FSIS carries out its inspection responsibilities under the authority of the Federal Meat Inspection Act (FMIA) and the Poultry Products Inspection Act (PPIA). It is the mission of FSIS to ensure that meat and poultry products are safe, wholesome, and accurately labeled. These laws require us to inspect live animals just prior to slaughter and each carcass after slaughter, and maintain continuous inspection of the further processing of meat and poultry products.

Our inspectors examine meat and poultry plants in the United States to ensure safety. The Agency also oversees all Federal-State cooperative inspection programs.

Federal inspection activities are carried out through a network of five regional offices, 26 area offices, and 185 inspection circuits. The Agency currently employs approximately 7,400 food inspectors and veterinarians located throughout the United States. These inspectors ensure product safety in over

6,400 meat and poultry plants that are under federal inspection. This includes 378 slaughter plants, 4,557 processing plants, 1,044 plants that perform slaughter and processing operations, 150 import locations and 301 Talmadge-Aiken plants.

During the past fiscal year, our field inspectors examined 127 million red meat animals, 6.9 billion birds and monitored the processing of 74 billion pounds of meat and poultry.

While the inspection of domestic meat and poultry is a priority, we also recognize the vital importance of inspecting imported products. To ensure the safety of imported meat and poultry, FSIS maintains a complex and comprehensive system of import controls to carry out the requirements of the Federal meat and poultry inspection laws.

The system of import controls involves two major activities. The first is oversight to ensure that exporting countries have inspection controls at least equal to those of the United States. Such countries must undergo a rigorous review process before they can become eligible to export meat and poultry to the United States, and periodic reviews to maintain such eligibility.

The second part of our import control program is the reinspection on a sample basis of meat and poultry products as they enter the United States. Reinspection is a check to make sure that the foreign country's inspection system is working. This reinspection is carried out by approximately 75 import inspectors at 150 active import inspection locations. In 1992, approximately 2.5 billion pounds of imported meat and poultry were passed for entry into the United States.

Another part of our food safety program involves laboratory analysis, which provides scientific and technical support. One of the foremost functions of the program is ensuring that meat and poultry products are safe from disease, harmful chemicals, and toxins. Our inspectors in the field are provided support through laboratory testing for chemical and antibiotic residues, microbiological contamination, pathology diagnostics, processed product composition, and economic adulteration.

FSIS currently operates three multidisciplinary laboratories, supplemented by the use of two contract laboratories, and accredits approximately 200 private laboratories to carry out food safety tests. During Fiscal Year 1992, over 2.1 million analyses were performed on meat and poultry samples by Federally operated or contracted laboratories.

The Agency also performs rapid in-plant screening tests, which are another measure of safety. Results from these types of tests are available very quickly, thus assisting inspectors in making rapid food safety determinations about the product. These tests include the Sulfa-On-Site (SOS) test, used to detect the presence of unacceptable levels of the antibiotic sulfamethazine; the Swab Test on Premises (STOP), used to detect the presence of various antibiotics; and the Calf Antibiotic Sulfa Test (CAST), used to detect the presence of antibiotics and sulfa drugs in veal calves. In Fiscal Year 1992, FSIS conducted 106,133 SOS tests, 117,858 STOP tests, and 79,666 CAST analyses.

We have also continued to monitor the effectiveness of the Fast Antimicrobial Screen Test (FAST) as compared to the STOP and CAST tests. The FAST test is able to detect both antibiotics and sulfonamide drug residues in the

liver and kidneys and can provide test results in as little as 5 hours, compared with the overnight incubation required for the STOP and CAST tests. The test period for FAST ended in late January 1992. Preliminary reports indicate that the FAST test is at least as accurate as the STOP and CAST tests. From this information, we are formulating a plan we hope will allow us to begin using the FAST system by January of 1994.

In addition to its other activities, FSIS also conducts enforcement and compliance activities to ensure that products are safe, wholesome, and accurately labeled. FSIS investigates cases of administrative, civil, or criminal violation of meat and poultry regulations and works in conjunction with the USDA Office of General Counsel and the Department of Justice to correct violative problems and prosecute offenders, if necessary.

In Fiscal Year 1992, 57,000 compliance reviews were conducted. As a result of these reviews and other compliance activities, 85,602,191 pounds of meat and poultry were detained for noncompliance with meat and poultry laws. There were 38 recalls conducted involving over 5,124,611 pounds of product. In addition, 51 convictions were obtained against firms and individuals for violations of the meat and poultry laws.

FSIS PRIORITIES

Mr. Chairman, I would now like to turn to the priorities of FSIS in the coming year, as well as detail some of our activities over the current fiscal year.

Modernizing Inspection

The first area, which you've probably heard about, involves modernizing our meat and poultry inspection program. The past year was a year of assessment and planning at FSIS. During 1992, FSIS took a good, hard look at where we have been -- all the way back to the inception of inspection. And we have positioned ourselves to make some tough decisions about where the Agency will go as we approach the 21st century. We must take FSIS from the organoleptic inspection system that has evolved since 1906 to a science and risk-based system.

Since early 1992, FSIS has been engaged in a comprehensive revision of its strategic plan. This is the first comprehensive revision since 1986.

Last summer, FSIS published its revised planning principles in the Federal Register and invited public comment. Individual employees were also asked to comment.

Out of this process, FSIS received over 500 comments covering a range of general and specific ideas. As a result of this activity, FSIS is now developing draft strategic objectives and will again seek public comments before developing a final strategic plan.

Two developments altered the original assumptions about how to go about the strategic planning process. First, FSIS has recognized for a number of years that efforts to bring about substantial and fundamental changes in the inspection program have had little or no success. Consequently, FSIS has developed and Secretary Espy has approved a two-track approach to continue the planning of improvements.

The Track I process will involve proposed changes to the existing program that will make maximum use of our resources and knowledge within the confines of the current systems. The Track II process will generate creative ideas for the kind of regulatory and inspection program the country will need as it enters the next century. FSIS intends to proceed with its strategic planning on these separate, but parallel tracks.

The second development that altered our strategic planning approach was the E. coli outbreak in the State of Washington. Secretary Espy asked us to accelerate the program of change, particularly as it related to the reduction of pathogens -- a major component of the current and any future inspection program.

Secretary Espy has recently endorsed an Agency Pathogen Reduction Program (PRP) to ensure that our pathogen reduction goals receive the attention and resources that they deserve. The plan includes elements of improvements in the current program (Track I) as well as elements that will most certainly lay the groundwork for the future (Track II).

Maximizing the Performance of the Current Inspection System -- Track I

As I mentioned, Track I focuses on maximizing the performance of our current meat and poultry inspection system. We cannot simply plan for the future and disregard needed changes that we can make in our existing program. We must make it as strong as possible within our current constraints.

Our planning is currently centered around six elements. However, we expect that the strategic plan we develop in the coming months will be even broader.

The first element is public ownership. Public ownership means actively involving all our constituents -- consumers, the industry, scientists, and other government agencies, and our own workforce -- in an open, participatory decision-making process.

For instance, we are planning to seek out public comment on our strategic plans through regional hearings scheduled for this spring. These hearings are tentatively scheduled to begin in April in Washington, D.C. We will be actively seeking grass roots information and reactions.

A second way that FSIS will maximize the current program through Track I will be to ensure that Agency staff and structure are aligned so they can be fully utilized. Our current program is resource intensive. Eighty percent of our budget goes to pay for in-plant personnel, and we cannot keep up with industry growth unless we take other measures.

As we discuss staffing, I recognize there will be those that wish to debate whether or not we need the additional 160 inspectors that President Clinton has proposed be funded immediately in his Economic Stimulus package. With all the discussion that has recently focused on problems with pathogenic organisms, I am afraid that some are losing sight of the fact that our inspection personnel serve other valuable functions in the plant. They inspect animals before and after slaughter to detect disease and product deficiencies. They monitor the plant's quality control programs and inspect facilities and equipment for sanitation before operations can begin.

Furthermore, our inspectors examine carcasses for visible contamination, including fecal matter and ingesta which may carry bacteria. They also conduct

on-site rapid testing for chemical residues and collect samples to send to the laboratory. Processing plant inspectors also check refrigeration and cooking temperatures and monitor such vital steps as thermal processing in order to prevent botulism in canned foods.

These additional 160 inspection positions would help to meet the current legal requirements for inspection coverage. We cannot just abruptly stop operating our current inspection system; our new program is not ready to be put in place and may not be for several years. We will, however, work to improve the current system and ensure it is functioning adequately while planning for a new inspection program of the future.

A third important component of Track I is Labor Relations. One of our first priorities in this area is to resolve questions about a Relations by Objectives activity with the inspectors' union. We have also established and will continue to support the efforts of a Trust-building Committee and an Internal Communications Committee. Additionally, we are eliciting more input from employees, at all levels, so that they are involved in major initiatives from the beginning.

We recognize that employees who are stationed in plants have practical knowledge of how our programs work or don't work. We are committed to the principles of Total Quality Management (TQM) and we will ensure all our employees are given the opportunity to participate in making decisions about changes to our inspection program now and in the future.

A fourth key element in Track I is our goal to reduce pathogens. We have already begun our nationwide study to determine the microbiological baseline of

the nation's meat and poultry supply. These baseline studies will be the "yardstick" by which we assess progress in our "war on pathogens." These data will determine whether future prevention and inspection systems can reduce microbiological contamination.

Another feature of our goal to reduce pathogens is our encouragement to industry in the voluntary use of prevention systems. In 1992, FSIS took action in three areas as examples of this. We approved the use of irradiation of poultry; we moved to allow the use of Trisodium Phosphate in poultry processing operations; and we approved use of organic acid sprays on cattle and swine. If our baseline studies do not show sufficient progress in reducing pathogens, these voluntary systems may cease to be voluntary.

I will elaborate on future activities in this area when I discuss our Pathogen Reduction Program.

A fifth key component of Track I is Consumer Service. FSIS will intensify its health and education programs that positively influence food industry employee behavior to reduce foodborne illness. We need to expand our efforts to provide consumers with information on food handling practices. As one key tool, we are proposing to mandate safe-handling and cooking instructions on meat and poultry labels.

Science and Technology is the sixth element of our Track I program. We will make decisions based on science when it is available; however, this will not hamper our present efforts in developing effective methods to enhance our inspection service. We plan to incorporate all new scientific findings into our program to keep it on the cutting edge.

First, we will continue to prepare a list of research and development priorities and encourage research in those areas. We will work closely with our counterparts in the Animal and Plant Health Inspection Service (APHIS), the Agricultural Research Service (ARS), the Food and Drug Administration (FDA), the Centers for Disease Control (CDC) and other federal agencies to make certain we are on target and to coordinate the development of data on the relative risk of various pathogens.

Second, FSIS has accelerated its attention to the use of risk analysis in its decision making process. The National Academy of Sciences (NAS) has repeatedly recommended that the Agency consider the risk of public health as a major objective in the design of new inspection systems.

To achieve this objective, we will use risk analysis, which includes risk assessment, management, and communication. I am appointing a team charged with identifying and quantifying risks through structured risk assessment. With help from our advisory committees and others, we will develop quantitative risk analysis models that will allow us to identify risks and provide the rationale for policy development and resource allocation.

Detailed economic analyses will be an important element of our risk assessment.

Third, we will establish specific procedures for obtaining the advice of recognized experts on issues affecting the scientific and technical basis of our regulatory activities.

The Regulatory Program for the Future -- Track II

In contrast to our evolutionary approach in Track I, we expect Track II to be revolutionary. If this proposal sounds vague, it's supposed to. It would be wrong for us to have too much of a preconceived notion about what this new regulatory program should be. Of course, we do have a few general principles in mind to guide us.

First, we know that any new system must be based on risk. Second, we know that this must be an open process and that it must encompass TQM principles. We must solicit ideas from within the Agency and from outside the Agency. And we must let the public know what we are thinking and why.

Third, we know that we cannot take forever to complete this process. The timetable must be realistic, but we can't wait 10 years, either. In order to develop this timetable, we will need to further explore how the project will be conducted.

Our objectives are clear. We must provide a vision of a public health risk-based inspection program that is not constrained by the configuration of the current program. We also must identify what would be needed to support implementation of a new system of inspection, including program mechanisms, necessary changes in the law and resources, including people and money. We plan to evaluate all elements of Track II to ensure the cost effectiveness of the strategy. Regulatory changes will be thoroughly reviewed to be sure that they pose the least possible burden on taxpayers. We also must identify what research and developmental work still needs to be done.

As a starting point, we will host, in October, the International Symposium on Meat Hygiene. This symposium will include food safety inspection experts from 25 countries around the world. We want to hear how other countries manage the elements of their inspection programs -- particularly those involving microbiological pathogens.

Pathogen Reduction Program

Secretary Espy has approved this strategy and FSIS is taking immediate steps to strengthen public health protection by squarely facing the risks posed by microbial pathogens in the food supply. These actions will be coordinated in a program that will in effect be a "war on pathogens."

The control of pathogenic microorganisms is and always has been an implicit goal of the Federal meat and poultry inspection program. The program has worked to achieve this goal through such activities as continuous organoleptic inspection in slaughter-houses, the daily monitoring of operations in further processing plants, laboratory analyses and scientific research, and consumer education.

In recent years, FSIS has been laying the groundwork for a future inspection system that will be based on the most up-to-date scientific knowledge and methods; employ criteria derived from quantitative risk assessments and epidemiological and micro-biological surveys; focus on enhanced public health protection at critical points from the farm to the dinner table (HACCP); incorporate the latest rapid detection and screening methodologies;

use animal identification and traceback methods to determine the sources of potential or actual infections.

An integral feature of the future inspection system will be a pathogen reduction program to reduce the likelihood that harmful microorganisms -- such as Salmonella, Listeria monocytogenes, or E. coli 0157:H7 -- will enter the food supply at key points in the production, distribution, and consumption chain. The plan the Agency is now proposing is based on HACCP principles and incorporates the essential elements of a pathogen reduction approach. This includes critical "pre-harvest" production activities, research on rapid detection methods, "post-harvest" research, in slaughter and processing plants, food service and retail activities, and even more aggressive consumer education than has been undertaken in the past.

Additional actions will include such innovations as pre-evisceration organic-acid carcass sprays and rapid in-plant detection methods for microbiological monitoring. Meat and poultry inspectors can and will eventually be equipped with microbiological swab kits or other tools to enhance the work they already perform to ensure that facilities and equipment are sanitary. Meanwhile, FSIS will carry out microbiological monitoring using existing methods.

In pursuing its new strategy, FSIS will be making a decisive break with the past. Under Secretary Espy's direction, the Department will not wait for the pathogens to become a problem. Nor will it be satisfied with holding the line against contamination. USDA will strive to reduce contamination at the source. This means the examination of on-the-farm practices and conditions. We propose to initiate an effort that will send USDA out into the fields among the herds and

flocks to find the places where pathogens lodge so as to be better prepared to enumerate and eliminate them.

Thus, under the rubric of "pre-harvest production activities," FSIS, working with the Animal and Plant Health Inspection Service (APHIS) and other Government agencies, would carry out on-farm investigations and epidemiological studies of foodborne enteric pathogens. Although FSIS intends eventually to deal with all serious pathogens through detection and eradication, it is beginning this effort -- appropriately -- with a study of *E. coli* 0157:H7 characteristics and risk factors in cattle herds. The Department will seek, if necessary, legislative changes to mandate animal identification and traceback in order to determine the herds of origin of infected animals arriving at the slaughterhouse. Further, to be truly proactive, FSIS will be developing pathogen prevention programs to help producers keep their livestock from becoming carriers of dangerous bacteria. The resources of Government agencies and professional associations should be marshalled in this effort.

FSIS must accelerate the development of new methods — especially rugged, reliable tests that can yield results quickly — and make them available to in-plant inspectors. Efforts are now underway to apply new advances in molecular biology, bioluminescence, and biosensors that are capable of detecting low numbers of disease-causing bacteria on food products. Even in highly technical areas it will not be business as usual.

In the slaughter plant environment, already underway is a microbiological baseline study that covers steers and heifers — the chief sources of the steaks and roasts familiar to consumers. The baseline study should be expanded to

include cows, poultry, and swine. More must be learned about the health of cows coming to slaughter, including information on the public health significance of stressed or disabled cows compared with that of normal or healthy cows. Questions about the relative prevalence of disease-causing bacteria in these cattle populations must also be answered.

In the area of further processing, FSIS will propose stricter requirements for boneless beef reinspection by establishments and for the conditions under which hamburger patties are processed commercially. The Agency is also moving to publish a final regulation establishing time and temperature minimums for the processing of partially cooked hamburger patties to prevent the recurrence of *E. coli* O157:H7 and other outbreaks in which such products have been implicated. FSIS and FDA will strongly encourage preventive actions across the whole range of processed foods, and will recommend and support industry initiatives to establish certified HACCP programs. In-plant microbiological monitoring would be a key feature of such programs.

Finally, FSIS is taking the initiative in strengthening protection at food service establishments and in the homes of consumers. For example, the Agency will propose to mandate the use of safe-handling and cooking labels on raw meat and poultry products sold at the food service and retail level, and the use of safe-handling and cooking inserts to accompany shipments of meat and poultry products used in such purchase programs as the National School Lunch program. FSIS is also committed to increased co-operative efforts with FDA, CDC, and other agencies and organizations that share roles as food safety educators and to the dictates of through cost-benefit analyses of all regulatory proposals.

The Pathogen Reduction Program incorporates actions that can be taken immediately at key points along the route from the farm to the table. Other preventive activities, such as those based on epidemiological information from the Centers for Disease Control and Prevention, will be integrated into the program as the need for them is identified.

Some improvements will be difficult. But USDA believes that the people of this country want and deserve an up-to-date inspection system that is focused on protection from foodborne diseases and is the most efficient use of taxpayers dollars. The time is ripe for a comprehensive, cooperative effort engaging the Department of Agriculture, Health and Human Services, Congress, consumers, the scientific community, and the meat and poultry industry.

Increased Compliance Activities

As we improve our current inspection program, another priority for FSIS in the current fiscal year and the next is to increase compliance activities. As an example, last week we began a special review of beef slaughter plants to identify, for appropriate corrective action, plants that may be failing to consistently produce clean, unadulterated products. We will not tolerate plant operations that present a threat to public health.

Plants identified as presenting public health "problems" will be subject to Progressive Enforcement Action or withdrawal of inspection. Until all problems are corrected, FSIS will take any action necessary to ensure that no adulterated products are being shipped.

Nutrition Labeling

One of our most important activities in the current fiscal year concerns nutrition labeling. In January of this year, FSIS and FDA issued final rules requiring nutrition labeling on processed foods -- including meat and poultry. Labels for raw, single-ingredient meat and poultry products are voluntary. These new rules for meat and poultry go into effect in July of 1994.

As part of this new regulation, we provided an exemption for products produced by small businesses. A processed, consumer product will be exempt from nutrition labeling if the firm producing it has 500 or fewer employees and produces less than 100,000 pounds of that product a year. The exemption is not available if a nutrition claim is made on the product.

By implementing these rules, we believe that the consumer will be able to compare the nutritional contents of foods with much less confusion than in the past. We also expect the labels will provide food companies with an incentive to improve the nutritional quality of their products.

Residue Testing

The reduction of residues from antibiotics, pesticides and other chemicals continues to be a priority of FSIS. In recent years, we have had our greatest success in this area through rapid testing for sulfamethazine residues in hogs. Last year, FSIS inspectors tested over 106,000 hog carcasses for sulfamethazine. Of this number, laboratory testing confirmed 222 violations. In August of 1991,

FSIS began intensified testing of dairy and beef cows for sulfonamide and antibiotic residues. This program was completed last September and we are currently reviewing the results. In general, violations are lower than they were in 1979.

Streamlined Inspection System for Cattle

In order to meet the direction of this subcommittee, FSIS withdrew its proposal for the Streamlined Inspection System for cattle (SIS-C) in September 1992. The Agency and the affected plants are in the process of returning all five of the pilot plants to traditional inspection procedures. We have successfully used the Total Quality Management process to allow inspectors to provide their input and comments in each of these plants. We will have all five plants operating as traditional inspection plants by April 1, 1993.

Public Information and Consumer Education

Public information and consumer education continues to be a high priority for FSIS. The recent outbreak of E. coli 0157:H7 in several Western States has highlighted the need for intensifying these efforts. As a result, consumer services is an integral part of our Track I, Track II and Pathogen Reduction Program, as I've explained earlier in my testimony.

FSIS started its food safety education program in 1973 to teach consumers about the safe handling of meat and poultry. Today, the objective of FSIS's food

handling education programs is to positively influence food handler behavior, thereby preventing foodborne illness. The program now focuses on institutional food handlers as well as consumers. The program uses booklets, a quarterly magazine, background papers, fact sheets, feature stories, educational videos, video news releases and radio features, including some bilingual materials, to reach consumers and the food service industry.

Recently, FSIS has joined forces with the FDA and the Centers for Disease Control in order to disseminate accurate and up-to-date information on the prevention of food poisoning.

ECONOMIC STIMULUS AND INVESTMENT

Before closing, Mr. Chairman, I want to discuss the proposals concerning FSIS in President Clinton's Economic Stimulus package. The President's report to Congress, "A Vision of Change for America," has taken significant steps to deal with the severe problems currently facing the meat and poultry inspection program. The stimulus package includes authorization to begin immediate recruitment of 160 additional inspectors to fill the most critical vacancies in slaughter and processing plants, and provides for expanded research and development efforts to design a more scientific and more effective inspection program for the future.

In addition, the President has proposed that the inspection program charge the industry for the cost of providing inspection for all inspection service

provided beyond a single approved shift. The fees collected under this program will be used to defray the cost of providing the service.

Today, I have briefly outlined our plans for the future of FSIS. It is my intent to see that these plans are carried out and achieve the result of a safer science-risk based meat and poultry inspection program.

Mr. Chairman, this concludes my prepared statement. Thank you for the opportunity to testify on the priorities of our Agency. I will be happy to answer any questions that you or other subcommittee members may have.

FOOD SAFETY AND INSPECTION SERVICE

Purpose Statement

The Food Safety and Inspection Service was established on June 17, 1981, by Secretary's Memorandum No. 1000-1 issued pursuant to Reorganization Plan No. 2 of 1953 (7 U.S.C. 2201).

The major objective of the Agency is to ensure that the Nation's commercial supply of meat and poultry products is safe, wholesome, and correctly labeled and packaged, as required by the Federal Meat Inspection Act and the Poultry Products Inspection Act.

The Meat and Poultry Inspection Program of the Food Safety and Inspection Service provides in-plant inspection of all domestic establishments preparing meat or poultry products for sale or distribution in commerce; reviews foreign inspection systems and establishments that prepare meat or poultry products for export to the United States; and provides technical and financial assistance to States which maintain meat and poultry inspection programs equal to the Federal inspection program.

During 1992, the Agency maintained central offices in the Washington metropolitan area, five regional offices, 26 area offices, and a nationwide network of inspectors in approximately 6,400 establishments (including official import facilities) in 50 States, Puerto Rico, American Samoa, Guam, and the Virgin Islands. Much of the work is conducted in cooperation with Federal, State and municipal agencies, as well as private industry. As of September 30, 1992, the Agency employment totaled 9,086 permanent full-time employees and 960 other employees. Of these, 722 permanent full-time employees and 89 other employees were located in the central offices, and 475 permanent full-time employees and 13 other employees were in area and regional offices. The balance of 7,889 permanent full-time employees and 858 other employees were in field locations.

FOOD SAFETY AND INSPECTION SERVICE

Available Funds and Staff-Years1992 Actual and Estimated, 1993 and 1994

Item	1992	1993	1994
	Actual	Estimated	Estimated
	Staff-	Staff-	Staff-
	Amount	Amount	Amount
	Years	Years	Years
Salaries and Expenses:	\$473,414,000:	\$493,655,000:	\$413,655,000:
	9,386:	9,466:	9,621:
<u>Obligations under</u>			
<u>other USDA</u>			
<u>appropriations:</u>			
Allocation from:			
Hazardous Waste			
Management	197,000:	45,000:	240,000:
	--:	--:	--:
APHIS for blood			
samples (MPI) ...	649,008:	1,000,000:	1,000,000:
	--:	--:	--:
Total, Agriculture			
Appropriations	474,260,008:	494,700,000:	414,895,000:
	9,386:	9,466:	9,621:
<u>Non-Federal Funds:</u>			
Reimbursements for			
Meat and Poultry			
Inspection	57,977,646:	61,748,000:	169,074,000:
	225:	225:	225:
Trust Funds for			
Meat and Poultry			
Inspection	1,948,352:	2,000,000:	2,043,000:
	31:	31:	31:
Total,			
Non-Federal Funds ..	59,925,998:	63,748,000:	171,117,000:
	256:	256:	256:
Total,			
Food Safety and			
Inspection Service :	534,186,006:	558,448,000:	586,012,000:
	9,642:	9,722:	9,877:

FOOD SAFETY AND INSPECTION SERVICE
Permanent Positions by Grade and Staff-Year Summary
1992 and Estimated 1993 and 1994

Grade	1992			1993			1994		
	Head- quarter:	: Field	: Total	Head- quarter:	: Field	: Total	Head- quarter:	: Field	: Total
ES-6	0	: 0	: 0	0	: 0	: 0	0	: 0	: 0
ES-5	13	: 1	: 14	13	: 1	: 14	13	: 1	: 14
ES-4	5	: 2	: 7	5	: 2	: 7	5	: 2	: 7
ES-3	0	: 0	: 0	0	: 0	: 0	0	: 0	: 0
ES-2	0	: 0	: 0	0	: 0	: 0	0	: 0	: 0
ES-1	0	: 2	: 2	0	: 2	: 2	0	: 2	: 2
	:	:	:	:	:	:	:	:	:
GS/GM-15	40	: 10	: 50	40	: 10	: 50	40	: 10	: 50
GS/GM-14	98	: 49	: 147	98	: 49	: 147	98	: 49	: 147
GS/GM-13	204	: 268	: 472	204	: 272	: 476	204	: 273	: 477
GS-12	94	: 927	: 1,021	94	: 930	: 1,024	94	: 931	: 1,025
GS-11	52	: 474	: 526	52	: 477	: 529	52	: 478	: 530
GS-10	1	: 128	: 129	1	: 128	: 129	1	: 128	: 129
GS-9	43	: 2,415	: 2,458	43	: 2,425	: 2,468	43	: 2,449	: 2,492
GS-8	6	: 1,166	: 1,172	6	: 1,166	: 1,172	6	: 1,171	: 1,177
GS-7	73	: 3,065	: 3,138	73	: 3,095	: 3,168	73	: 3,113	: 3,186
GS-6	48	: 62	: 110	48	: 62	: 110	48	: 62	: 110
GS-5	56	: 316	: 372	56	: 316	: 372	56	: 316	: 372
GS-4	21	: 90	: 111	21	: 90	: 111	21	: 90	: 111
GS-3	2	: 11	: 13	2	: 11	: 13	2	: 11	: 13
GS-2	0	: 1	: 1	0	: 1	: 1	0	: 1	: 1
Ungraded Positions	3	: 14	: 17	3	: 14	: 17	3	: 14	: 17
Total, Permanent Positions	759	: 9,001	: 9,760	759	: 9,051	: 9,810	759	: 9,101	: 9,860
Unfilled Positions, end-of-year ..	-37	: -607	: -644	-37	: -497	: -534	-37	: -472	: -509
Total Permanent Employment, end-of-year ..	722	: 8,387	: 9,116	722	: 8,547	: 9,276	722	: 8,629	: 9,351
Staff Years: Ceiling	720	: 8,922	: 9,642	720	: 9,002	: 9,722	720	: 9,157	: 9,877

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FOOD SAFETY AND INSPECTION SERVICE

CLASSIFICATION BY OBJECTS1992 and Estimated 1993 and 1994

	<u>1992</u>	<u>1993</u>	<u>1994</u>
Personnel Compensation:			
Headquarters	\$29,521,554	\$31,003,000	\$31,539,000
Field	<u>278,851,503</u>	<u>292,838,000</u>	<u>300,838,000</u>
11 Total personnel compensation .	308,373,057	323,841,000	332,377,000
12 Personnel benefits	74,746,504	78,273,000	83,561,000
13 Benefits for former personnel	<u>1,017,114</u>	<u>1,017,000</u>	<u>1,017,000</u>
Total personnel compensation .			
and benefits	384,136,675	403,131,000	416,955,000
Other Objects:			
21 Travel	19,759,931	20,307,000	20,608,000
22 Transportation of things	1,415,157	1,436,000	1,460,000
23 Communications, utilities			
and miscellaneous charges	6,361,118	6,389,000	6,334,000
24 Printing and reproduction	1,238,629	1,239,000	1,235,000
25 Other services	15,287,665	15,628,000	23,960,000
26 Supplies and materials	3,024,715	3,168,000	3,299,000
31 Equipment	3,527,066	3,735,000	4,142,000
41 Grants, subsidies and			
contributions	37,980,606	38,522,000	39,562,000
42 Insurance claims and			
indemnities	92,662	93,000	93,000
43 Interest and dividends	<u>7,588</u>	<u>7,000</u>	<u>7,000</u>
Total other objects	<u>88,695,137</u>	<u>90,524,000</u>	<u>100,700,000</u>
Total direct obligations	<u>472,831,812</u>	<u>493,655,000</u>	<u>517,655,000</u>
<u>Position Data:</u>			
Average Salary, ES positions	\$105,400	\$108,773	\$109,897
Average Salary, GM/GS positions .	\$32,474	\$33,931	\$34,882
Average Grade, GM/GS positions ..	8.72	8.72	8.72

FOOD SAFETY AND INSPECTION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Salaries and Expenses:

For necessary expenses to carry on services authorized by the Federal Meat Inspection Act, as amended, and the Poultry Products Inspection Act, as amended, [~~\$489,867,000~~] \$395,655,000, and in addition, such sums as may be collected from fees for the cost of laboratory accreditation, and such sums as may be collected from fees for the cost of all inspection services performed at times other than during an approved primary shift, as established by regulation shall be credited to this account, to be available for carrying out the purposes of the accreditation and inspection programs without further appropriation: Provided, That this appropriation shall be available for field employment pursuant to section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed \$75,000 shall be available for employment under 5 U.S.C. 3109: Provided further, That this appropriation shall be available pursuant to law (7 U.S.C. 2250) for the alteration and repair of buildings and improvements, but the cost of altering any one building during the fiscal year shall not exceed 10 percent of the current replacement value of the building. [Provided further, That none of the funds in this Act may be used to carry out the Streamlined Inspection System (for cattle) after April 1, 1993.]

This change allows FSIS to charge and retain user fees for laboratory accreditation as authorized under P.L. 102-237 and the full cost of inspection service performed outside of a single scheduled and approved primary shift.

Meat and poultry inspection services for all regularly scheduled and approved shifts are paid with Federal funds. Establishments that operate beyond approved regularly scheduled shifts pay overtime costs for inspection. Establishments with more than one regularly scheduled and approved shift are generally large plants with sizable production operated by corporations or large business interests. Establishments that do not have enough production to warrant an additional complete shift must pay overtime. These establishments tend to be smaller plants owned by families or small businesses. In some sense, larger establishments are operating in permanent overtime status. To put large and small establishments on equal footing, all establishments that operate outside of a single approved primary shift will be required to pay for the costs of the additional inspection. These fees will have a minimal impact on prices.

FOOD SAFETY AND INSPECTION SERVICE

The estimates include appropriation language for this item as follows (new language underscored):

Salaries and Expenses:

In addition to amounts already available under this heading, and subject to the same terms and conditions, \$18,000,000 for expansion and strengthening of the meat and poultry inspection program.

This change provides funding for that part of the President's program for investment in the future, by providing full year funding for 200 additional meat and poultry inspectors, and for long term investment in the development of improved means of ensuring public safety through more scientific approaches to reducing health risks in meat and poultry products. A Pathogen Reduction Program will be incorporated into the future inspection system to reduce the likelihood of harmful microorganisms entering the food supply. The program will be based on HACCP principles, and will cover critical pre-harvest production activities, research on more rapid methods of detecting pathogens, and research on better control procedures in slaughter and processing plants. An aggressive consumer education effort will be an important part of the program, including food service and retail areas.

SALARIES AND EXPENSES

Appropriations Act, 1993	\$489,867,000
Budget Estimate, 1994	<u>499,655,000</u>
Increase in Appropriation	<u>+9,788,000</u>

Adjustments in 1993:

Appropriations Act, 1993	489,867,000	
Transfer to Office of the Secretary* ...	<u>-212,000</u>	
Adjusted Base for 1993		\$489,655,000

Budget Estimate, 1994:

Appropriations	\$395,655,000	
New User Fees	104,000,000	
Total, Budget Estimate, 1994		<u>499,655,000</u>

Increase over Adjusted 1993		<u>+10,000,000</u>
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* This transfer was made pursuant to the Secretary's authority provided by P.L. 102-341, dated August 14, 1992.

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

<u>Item of Change</u>	<u>1993</u> <u>Estimated</u>	<u>Pay</u> <u>Costs</u>	<u>Other</u> <u>Changes</u>	<u>1994</u> <u>Estimated</u>
Slaughter Inspection ..	\$293,763,000	+\$6,287,000	-\$99,000	\$299,951,000
Processing Inspection ..	121,635,000	+2,328,000	-43,000	123,920,000
Import-Export Inspection	12,087,000	+204,000	-4,000	12,287,000
Laboratory Services	23,648,000	+295,000	-8,000	23,935,000
Grants-to-States	<u>38,522,000</u>	--	<u>+1,040,000</u>	<u>39,562,000</u>
Total Available	489,655,000	+9,114,000	+886,000	499,655,000
New User Fees	--	--	-104,000,000	-104,000,000
Total Appropriation ..	<u>489,655,000</u>	<u>+9,114,000</u>	<u>-103,114,000</u>	<u>395,655,000</u>

PROJECT STATEMENT
(On basis of adjusted appropriation)

	1992 Actual	1993 Estimated	Increase	1994 Estimated
	: Staff:	: Staff:	or	: Staff
	: Amount	: Amount	: Decrease	: Amount
	: Years	: Years		: Years
<u>Meat and Poultry Inspection</u>				
(a) Slaughter Inspection	\$282,012,034:6,474	\$293,763,000:6,474	-86,884,000	\$232,879,000: 6,498
New User Fees	--: --	--: --	+67,072,000	67,072,000: --
Total, Slaughter Inspection	282,012,034:6,474	293,763,000:6,474	+6,188,000(1)	299,951,000: 6,498
(b) Processing Inspection	117,903,900:2,398	121,635,000:2,398	-25,484,000	96,151,000: 2,409
New User Fees	--: --	--: --	+27,769,000	27,769,000: --
Total, Processing Inspection	117,903,900:2,398	121,635,000:2,398	+2,285,000(2)	123,920,000: 2,409
(c) Import-Export Inspection	11,760,400: 210	12,087,000: 210	-2,562,000	9,525,000: 210
New User Fees	--: --	--: --	+2,762,000	2,762,000: --
Total, Import-Export Inspection	11,760,400: 210	12,087,000: 210	+200,000(3)	12,287,000: 210
(d) Laboratory Services	23,174,872: 304	23,648,000: 304	-6,110,000	17,538,000: 304
New User Fees	--: --	--: --	+6,397,000	6,397,000: --
Total, Laboratory Services	23,174,872: 304	23,648,000: 304	+287,000(4)	23,935,000: 304
(e) Grants-to-States	37,980,606: --	38,522,000: --	+1,040,000(5)	39,562,000: --
Unobligated balance lapsing	582,188: --	--: --	--	--: --
Total available or estimate	473,414,000:9,386	489,655,000:9,386	+10,000,000	499,655,000: 9,421
Transfer to Other Accounts	98,000: :	212,000: 2	--	--: --
New User Fees	--: --	--: --	-104,000,000	-104,000,000: --
Total, Appropriation	473,512,000:9,386	489,867,000:9,388	-94,000,000	395,655,000: 9,421
Economic Stimulus ^a	:	4,000,000: 80	:	:
Investment Proposal	:	:	:	18,000,000: 200
Total, President's Budget	:	493,867,000:9,468	:	413,655,000: 9,621

^a As included in the President's Economic Stimulus package, the Food Safety and Inspection Service is requesting a supplemental appropriation of \$4,000,000 to cover the hiring of 160 additional inspectors.

EXPLANATION OF PROGRAM

The Food Safety and Inspection Service administers a national meat and poultry inspection program pursuant to the Federal Meat Inspection Act and the Poultry Products Inspection Act. These acts require ante-mortem and post-mortem inspection of domestic livestock and poultry, and the inspection during further processing of meat and poultry products. The major objective of the meat and poultry inspection program is to ensure that the Nation's commercial supply of meat and poultry products is safe, wholesome, and correctly labeled and packaged.

The Meat and Poultry Inspection program is responsible for uniformly applying inspection procedures and standards for sanitation, humane slaughter, facilities and equipment, and product labeling at all establishments under Federal inspection. It is also responsible for assessing the effectiveness of State inspection programs to assure that standards at least equal to those under the Inspection Acts are applied to meat and poultry establishments under State jurisdiction. Further, the program is responsible for reviewing foreign inspection systems and plants that export meat and poultry products to the United States, and inspecting imported products at ports of entry. The Laboratory Services program supports meat and poultry inspection through the scientific examination of meat and poultry products for disease, contamination, or other forms of adulteration.

In its enforcement of food safety laws, the Agency strives to modernize its inspection systems and improve the effectiveness of regulatory processes. FSIS continues to emphasize reform of its inspection systems. The Agency is incorporating into its inspection procedures the scientifically-based process control approach called the Hazard Analysis and Critical Control Point (HACCP) system for enhanced public health protection. HACCP is a specific inspectional approach to control biological and physical adulteration in foods. This approach includes the assessment of risks and the identification of points throughout the production and distribution system where control is necessary to eliminate potential risks.

INSPECTION DATA

	1992 <u>Actual</u>	1993 <u>Estimated</u>	1994 <u>Estimated</u>
Federally inspected establishments:			
Slaughter plants.....	378	370	365
Processing plants.....	4,557	4,535	4,500
Combination slaughter and processing plants.....	1,044	1,050	1,060
Talmadge-Aiken Plants.....	301	301	301
Import establishments.....	150	150	150
Federally inspected production (millions of pounds):			
Meat slaughter.....	38,727	37,912	38,073
Poultry slaughter.....	35,679	36,056	37,544
Import/Export activity (millions of pounds):			
Meat and poultry imported.....	2,609	2,700	2,800
Meat and poultry exported.....	3,730	3,700	3,700
Imports refused entry.....	11	11	11
States and territories with cooperative agreements:			
Intrastate inspection.....	27	27	27
Talmadge-Aiken inspection.....	17	17	17
Number of slaughter and/or processing plants (excludes exempt plants)....	2,864	2,880	2,880
Pounds inspected, slaughter (millions).....	748	750	750
Compliance activities:			
Hazardous product detained (millions of pounds).....	86	16	18
Compliance reviews.....	57,077	60,000	62,000
Detention actions.....	881	900	900
Laboratory Services (samples analyzed):			
Food chemistry.....	49,185	50,000	50,000
Food microbiology.....	34,554	42,000	85,000
Chemical residues.....	157,422	157,000	157,000
Antibiotic residues.....	221,175	221,000	221,000
Pathology samples.....	10,612	11,000	11,000

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GAO REPORTS

<u>NUMBER</u>	<u>DATE ISSUED</u>	<u>DATE COMPLETED</u>	<u>DESCRIPTION</u>
RCED-92-142	7/27/92	---	Food Safety and Quality: Uniform, Risk-based Inspection System Needed to Ensure Safe Food Supply.
RCED-92-69	5/27/92	No findings	Review of FDA and Related Agencies Efforts to Control the Spread of Salmonella Enteritidis in Eggs and Poultry.
RCED-92-22	10/9/91	3/3/92	International Food Safety: Comparison of U.S. and Codex Pesticide Standards.
RCED-91-168	9/3/91	No findings	U.S. Department of Agriculture: Revitalizing Structure, Systems, and Strategies.
RCED-91-81	5/13/91	10/16/91	Food Distribution Program: Appearance of USDA's Canned Beef and Pork Can Be Improved.
RCED-91-41	3/12/91	---	U.S. Department of Agriculture: Improving Management of Cross-Cutting Agricultural Issues.
RCED-90-176	5/31/90	4/30/92	Food Safety: Issues USDA Should Address Before Ending Canadian Meat Inspection.
RCED-87-142	9/30/87	---	Imported Meat and Livestock: Chemical Residue Detection and the Issue of Labeling.

OIG REPORTS

24062-2-Kc	7/30/92	No Findings	Special Study - Plants Operating Under the Streamlined Inspection System for Beef.
24600-1-At	9/30/91	---	Monitoring of Drug Residues.
24099-6-At	6/28/91	---	Accreditation of Commercial Laboratories.
24099-5-At	6/26/90	---	Labeling Policies and Approvals.
24002-4-Hy	3/29/89	3/30/92	Follow-Up Audit of the FSIS Imported Meat Process.
24609-1-At	11/17/88	---	Monitoring and Controlling Pesticide Residues in Domestic Meat and Poultry Products.
24097-1-At	2/5/87	---	FSIS Exporting Procedures.

JUSTIFICATION OF INCREASES AND DECREASES

- (1) A net increase of \$6,188,000 for Slaughter Inspection (\$293,763,000 available in 1993):
- (a) An increase of \$6,287,000 for pay costs which reflects the annualization of the fiscal year 1993 pay raise.
 - (b) An increase of \$900,000 which reflects a 2.7 percent increase in non-salary costs.
 - (c) A decrease of \$953,000 which reflects a 3 percent reduction in administrative expenses from the amount made available for fiscal year 1993 adjusted for inflation.

Need for Change. To promote the efficient use of resources for administrative purposes, in keeping with the President's Executive order, total USDA baseline outlays for these activities will be reduced by 3 percent in FY 1994, 6 percent in FY 1995, 9 percent in FY 1996 and 14 percent in FY 1997.

Nature of Change. In order to achieve this savings, FSIS will limit all non-essential travel and carefully monitor supply purchases, printing and reproduction costs, utility usage, and service contracts.

- (d) A decrease of \$46,000 for FIS 2000 funding which reflects lower long distance telecommunications prices due to price redeterminations in the FIS 2000 contracts.
- (e) No net program change comprised of a decrease of \$67,072,000 in appropriations offset by an increase of \$67,072,000 which shall be derived by charging fees for inspection services provided beyond a single shift.

Need for Change. Meat and poultry inspection services for all regularly scheduled and approved shifts are paid with Federal funds. Establishments with more than one regularly scheduled and approved shift are generally large plants with sizable production operated by corporations or large business interests. Establishments which do not have enough production to warrant an additional complete shift must pay overtime. These establishments tend to be smaller plants owned by families or small businesses. To put large and small establishments on equal footing, all establishments which operate more than a single approved primary shift will be required to pay the full costs of the additional inspection.

Nature of Change. All slaughter plants will be required to reimburse the Agency for the cost of any daily inspection performed at times other than those of a single approved primary shift. Plants which now operate beyond approved regularly scheduled shifts already pay the overtime costs of inspection. Plants which now regularly operate an approved second shift are provided inspection without reimbursing the Agency. It is estimated the Agency will collect \$67,072,000 in fees related to slaughter inspection.

(2) A net increase of \$2,285,000 for Processing Inspection (\$121,635,000 available in 1993):

- (a) An increase of \$2,328,000 for pay costs which reflects the annualization of the fiscal year 1993 pay raise.
- (b) An increase of \$371,000 which reflects a 2.7 percent increase in non-salary costs.
- (c) A decrease of \$395,000 which reflects a 3 percent reduction in administrative expenses from the amount made available for fiscal year 1993 adjusted for inflation.

Need for Change. To promote the efficient use of resources for administrative purposes, in keeping with the President's Executive order, total USDA baseline outlays for these activities will be reduced by 3 percent in FY 1994, 6 percent in FY 1995, 9 percent in FY 1996 and 14 percent in FY 1997.

Nature of Change. In order to achieve this savings, FSIS will limit all non-essential travel and carefully monitor supply purchases, printing and reproduction costs, utility usage, and service contracts.

- (d) A decrease of \$19,000 for FTS 2000 funding which reflects lower long distance telecommunications prices due to price redeterminations in the FTS 2000 contracts.
- (e) No net program change comprised of a decrease of \$27,769,000 in appropriations offset by an increase of \$27,769,000 which shall be derived by charging fees for inspection services provided beyond a single shift.

Need for Change. Meat and poultry inspection services for all regularly scheduled and approved shifts are paid with Federal funds. Establishments with more than one regularly scheduled and approved shift are generally large plants with sizable production operated by corporations or large business interests. Establishments which do not have enough production to warrant an additional complete shift must pay overtime. These establishments tend to be smaller plants owned by families or small businesses. To put large and small establishments on equal footing, all establishments which operate more than a single approved primary shift will be required to pay the full costs of the additional inspection.

Nature of Change. All processing plants will be required to reimburse the Agency for the cost of any daily inspection performed at times other than those of a single approved primary shift. Plants which now operate beyond approved regularly scheduled shifts already pay the overtime costs of inspection. Plants which now regularly operate an approved second shift are provided inspection without reimbursing the Agency. It is estimated the Agency will collect \$27,769,000 in fees related to processing inspection.

(3) A net increase of \$200,000 for Import/Export Inspection (\$12,087,000 available in 1993):

- (a) An increase of \$204,000 for pay costs which reflects the annualization of the fiscal year 1993 pay raise.
- (b) An increase of \$38,000 which reflects a 2.7 percent increase in non-salary costs.
- (c) A decrease of \$40,000 which reflects a 3 percent reduction in administrative expenses from the amount made available for fiscal year 1993 adjusted for inflation.

Need for Change. To promote the efficient use of resources for administrative purposes, in keeping with the President's Executive order, total USDA baseline outlays for these activities will be reduced by 3 percent in FY 1994, 6 percent in FY 1995, 9 percent in FY 1996 and 14 percent in FY 1997.

Nature of Change. In order to achieve this savings, FSIS will limit all non-essential travel and carefully monitor supply purchases, printing and reproduction costs, utility usage, and service contracts.

- (d) A decrease of \$2,000 for FTS 2000 funding which reflects lower long distance telecommunications prices due to price redeterminations in the FTS 2000 contracts.
- (e) No net program change comprised of a decrease of \$2,762,000 in appropriations offset by an increase of \$2,762,000 which shall be derived by charging fees for inspection services provided beyond a single shift.

Need for Change. Meat and poultry inspection services for all regularly scheduled and approved shifts are paid with Federal funds. Establishments with more than one regularly scheduled and approved shift are generally large plants with sizable production operated by corporations or large business interests. Establishments which do not have enough production to warrant an additional complete shift must pay overtime. These establishments tend to be smaller plants owned by families or small businesses. To put large and small establishments on equal footing, all establishments which operate more than a single approved primary shift will be required to pay the full costs of the additional inspection.

Nature of Change. All import-export facilities requiring meat and poultry inspection will be required to reimburse the Agency for the cost of any daily inspection performed during other than a single approved shift. Facilities which now operate beyond approved regularly scheduled shifts already pay the overtime costs of inspection. Facilities which now regularly operate an approved second shift are provided inspection without reimbursing the Agency. It is estimated the Agency will collect \$2,762,000 in fees related to import-export inspection.

- (4) A net increase of \$287,000 for laboratory testing of meat and poultry products (\$23,648,000 available in 1993):
 - (a) An increase of \$295,000 for pay costs which reflects the annualization of the fiscal year 1993 pay raise.

- (b) An increase of \$72,000 which reflects a 2.7 percent increase in non-salary costs.
- (c) A decrease of \$76,000 which reflects a 3 percent reduction in administrative expenses from the amount made available for fiscal year 1993 adjusted for inflation.

Need for Change. To promote the efficient use of resources for administrative purposes, in keeping with the President's Executive order, total USDA baseline outlays for these activities will be reduced by 3 percent in FY 1994, 6 percent in FY 1995, 9 percent in FY 1996 and 14 percent in FY 1997.

Nature of Change. In order to achieve this savings, FSIS will limit all non-essential travel and carefully monitor supply purchases, printing and reproduction costs, utility usage, and service contracts.

- (d) A decrease of \$4,000 for FTS 2000 funding which reflects lower long distance telecommunications prices due to price redeterminations in the FTS 2000 contracts.
- (e) No net program change comprised of a decrease of \$5,397,000 in appropriations offset by an increase of \$5,397,000 which shall be derived by charging fees for inspection services provided beyond a single shift.

Need for Change. Meat and poultry inspection services for all regularly scheduled and approved shifts are paid with Federal funds. Establishments with more than one regularly scheduled and approved shift are generally large plants with sizable production operated by corporations or large business interests. Establishments which do not have enough production to warrant an additional complete shift must pay overtime. These establishments tend to be smaller plants owned by families or small businesses. To put large and small establishments on equal footing, all establishments which operate more than a single approved primary shift will be required to pay the full costs of the additional inspection.

Nature of Change. All plants and facilities requiring meat and poultry inspection will be required to reimburse the Agency for any laboratory costs associated with daily inspection performed outside of a primary approved shift. It is estimated the Agency will collect \$5,397,000 in fees for laboratory costs associated with inspections beyond one shift.

- (f) No net program change comprised of a decrease of \$1,000,000 in appropriations offset by an increase in user fees of \$1,000,000 resulting from user fees for the Accredited Laboratory Program.

Need for Change. The Food, Agriculture, Conservation, and Trade Act Amendments of 1991 (P.L. 102-237) requires laboratories seeking accreditation under the Federal Meat Inspection Act and the Poultry Products Inspection Act to pay a nonrefundable accreditation fee.

Nature of Change. Laboratories accredited by the Agency to perform certain tests of meat and poultry products will be required to reimburse the Federal Government for the full cost of providing and maintaining a continuing review of their accreditation status.

- (5) An increase of \$1,040,000 for Grants-to-States (\$38,522,000 available in 1993):
- (a) An increase of \$1,040,000 which reflects a 2.7 percent increase in non-salary costs.

Food Safety and Inspection Service
Summary of Investment Proposals

SUMMARY OF INCREASES AND DECREASES - INVESTMENT PROPOSAL

<u>Item of Change</u>	<u>Base Request</u>	<u>Investment Proposal</u>	<u>Total Request</u>
Slaughter Inspection ...	\$299,951,000	+\$6,425,000	\$306,376,000
Processing Inspection ..	123,920,000	+3,575,000	127,495,000
Import-Export Inspection	12,287,000	--	12,287,000
Laboratory Services	23,935,000	--	23,935,000
Food Safety Methodology.	--	+8,000,000	8,000,000
Grants-to-States	<u>39,562,000</u>	<u>--</u>	<u>39,562,000</u>
Total Available	499,655,000	+18,000,000	517,655,000
New User Fees	<u>-104,000,000</u>	<u>--</u>	<u>-104,000,000</u>
Total Appropriation .	<u>395,655,000</u>	<u>+18,000,000</u>	<u>413,655,000</u>

Explanation of Investment Proposal

This investment proposal both strengthens the current inspection system and provides the necessary resources to develop an improved science-based, risk-based system. The additional funding would improve the Federal meat and poultry inspection system by increasing the number of meat and poultry inspectors and also by increasing the funding available for the development of an improved means of ensuring public safety through more scientific approaches to reducing health risks in meat and poultry products. This proposal would fund 200 additional inspectors over the number funded in the FY 1993 appropriation. Additional resources would be available to expand the microbiological baseline study and to fund research to develop methods to rapidly detect microbiological pathogens.

Proposed Language

In addition to amounts already available under this heading, and subject to the same terms and conditions, \$18,000,000 for expansion and strengthening of the meat and poultry inspection program.

Food Safety and Inspection Service
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1992 and Estimated 1993 and 1994

	FY 1992		FY 1993		FY 1994	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
Alabama	\$16,890,924	421	\$17,635,000	425	\$18,492,000	431
Alaska	345,000	0	360,000	0	378,000	0
Arizona	1,405,785	22	1,468,000	22	1,539,000	23
Arkansas	22,733,849	588	23,735,000	593	24,889,000	602
California	28,863,688	607	30,135,000	612	31,600,000	623
Colorado	6,602,815	158	6,894,000	159	7,229,000	162
Connecticut	1,535,976	33	1,604,000	33	1,682,000	34
Delaware	4,023,383	97	4,201,000	98	4,405,000	99
District of Columbia	65,527,148	685	68,412,000	690	71,740,000	705
Florida	7,413,526	127	7,740,000	128	8,116,000	130
Georgia	28,789,808	589	30,058,000	594	31,519,000	603
Hawaii	1,485,466	2	1,551,000	2	1,626,000	2
Idaho	2,344,134	55	2,447,000	55	2,566,000	56
Illinois	13,138,047	223	13,717,000	225	14,384,000	228
Indiana	6,788,385	121	7,087,000	122	7,432,000	124
Iowa	17,434,681	404	18,202,000	408	19,087,000	414
Kansas	10,843,645	241	11,321,000	243	11,872,000	247
Kentucky	5,731,702	137	5,984,000	138	6,275,000	140
Louisiana	5,058,642	86	5,281,000	87	5,538,000	88
Maine	1,032,163	22	1,078,000	22	1,130,000	23
Maryland	9,265,870	206	9,674,000	208	10,144,000	211
Massachusetts	2,628,321	61	2,744,000	62	2,877,000	63
Michigan	7,763,975	181	8,106,000	183	8,500,000	185
Minnesota	12,624,907	306	13,181,000	309	13,822,000	314
Mississippi	9,936,444	233	10,374,000	235	10,878,000	239
Missouri	17,660,746	346	18,439,000	349	19,335,000	355
Montana	2,099,760	37	2,192,000	37	2,299,000	38
Nebraska	12,401,861	313	12,948,000	316	13,578,000	321
Nevada	439,287	10	459,000	10	481,000	10
New Hampshire	451,945	10	472,000	10	495,000	10
New Jersey	5,258,911	118	5,491,000	119	5,757,000	121
New Mexico	1,478,713	25	1,544,000	25	1,619,000	26
New York	11,655,110	255	12,168,000	257	12,760,000	261
North Carolina	16,320,190	357	17,039,000	360	17,867,000	366
North Dakota	1,161,321	26	1,212,000	26	1,271,000	27
Ohio	10,504,503	142	10,967,000	143	11,500,000	145
Oklahoma	4,578,258	71	4,780,000	72	5,012,000	73
Oregon	3,343,372	75	3,491,000	76	3,660,000	77
Pennsylvania	19,013,778	445	19,851,000	449	20,816,000	456
Rhode Island	526,955	12	550,000	12	577,000	12
South Carolina	5,280,372	107	5,513,000	108	5,781,000	110
South Dakota	3,230,441	70	3,373,000	71	3,537,000	72
Tennessee	6,135,814	142	6,406,000	143	6,717,000	145
Texas	29,774,064	589	31,085,000	594	32,597,000	603
Utah	2,447,251	45	2,555,000	45	2,679,000	46
Vermont	613,322	8	640,000	8	671,000	8
Virginia	10,094,700	228	10,539,000	230	11,052,000	234
Washington	5,018,286	117	5,239,000	118	5,494,000	120
West Virginia	1,678,655	31	1,753,000	31	1,838,000	32
Wisconsin	8,133,129	135	8,491,000	136	8,904,000	138
Wyoming	192,000	0	200,000	0	210,000	0
Guam	9,873	0	10,000	0	11,000	0
Puerto Rico	2,798,086	65	2,921,000	66	3,063,000	67
Samoa	54,277	1	57,000	1	59,000	1
Virgin Islands	72,188	1	75,000	1	79,000	1
Foreign Countries ..	196,360	0	206,000	0	216,000	0

Subtotal, Available or Estimate	472,831,812	9,386	493,655,000	9,466	517,655,000	9,621
Unobligated balance	582,188	--	--	--	--	--

Total, Available or Estimate	473,414,000	9,386	493,655,000	9,466	517,655,000	9,621
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FOOD SAFETY AND INSPECTION SERVICE

STATUS OF PROGRAM

MEAT AND POULTRY INSPECTION

Current Activities: Program responsibilities include:

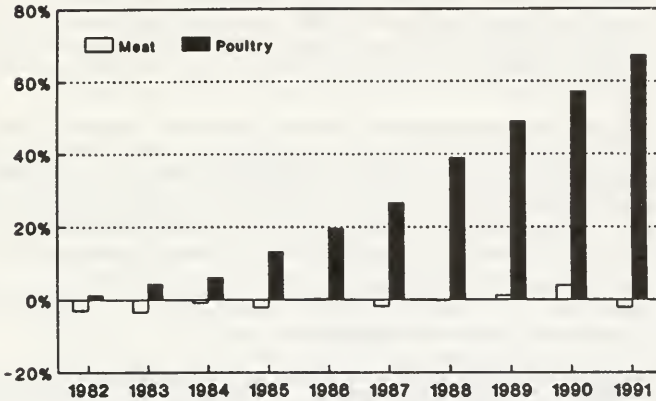
1. Ensuring that meat and poultry products are safe, wholesome, and properly labeled; and preventing the movement or sale in commerce of any meat and poultry products which are adulterated, unwholesome, or mislabeled.
2. Inspecting, before and after slaughter, those birds and animals intended for use as food for humans and maintaining surveillance of the further processing of meat and poultry products to assure food safety.
3. Providing pathological, microbiological, chemical and other scientific examination of meat and poultry products for disease, infection, contamination, or other types of adulteration.
4. Conducting emergency operations in connection with the voluntary recall of meat and poultry products containing chemical, microbial, or other adulterants.
5. Reviewing and assessing the effectiveness of State inspection programs to ensure that standards at least equal to those under the Federal Acts are applied to meat and poultry plants under State jurisdiction.
6. Reviewing and assessing foreign inspection systems and facilities that export meat and poultry to the United States to ensure that standards are maintained equal to those in the United States. Reinspecting imported meat and poultry products at port of entry to ensure that product meets Federal standards.
7. Facilitating the export of United States meat and poultry products by obtaining the inspection requirements of foreign governments, and negotiating the equivalence of United States inspection procedures.
8. Monitoring allied industries to prevent uninspected, unwholesome, or mislabeled meat and poultry from illegally entering channels of commerce.
9. Conducting epidemiological investigations based on reports of foodborne health hazards and disease outbreaks.
10. Providing public information to ensure the safe handling of meat and poultry products by consumers.

Selected Examples of Recent Progress

1. Inspection Activities:

FSIS has over 7,300 full-time inspectors operating in approximately 6,300 federally inspected plants throughout the United States. It is their responsibility to monitor the slaughter and processing of all meat and poultry products produced for interstate commerce in the United States. The inspectors help ensure that the nation's supply of meat and poultry is safe, wholesome, and correctly labeled and packaged. The inspectors have maintained the quality of the service during a period of extraordinary growth of the poultry industry. The graph which follows shows this growth trend:

Meat and Poultry Inspection at Slaughter
Percentage Change in Pounds Slaughtered
Compared to 1981



2. Emergency Activities:

- a. Product Recalls. FSIS conducts a program to handle emergency actions concerning residue, microbiological, and other contamination problems. This program oversaw actions on 38 recalls during fiscal year 1992. The recalls involved 11 different pork products, nine poultry products, six beef products, and 12 multi-species products that led to the reprocessing or destruction of 5,169,303 pounds of violative product. The primary causes of the recalls were microbiological hazards, processing or container defects, and extraneous materials. In 18 of the cases, press releases were issued to inform the public of the recall situation and advise them of FSIS's actions.

- b. Kansas City Fire. A fire at an underground facility in Kansas City, Kansas, which started on December 28, 1991, may have contaminated approximately 50 million pounds of meat and poultry products. FSIS is coordinating its actions with the Agricultural Stabilization and Nutrition Service to assure that meat and poultry products are given adequate reinspection. No commercial product has yet been released. All 12.2 million pounds of product offered for examination by eight companies failed reinspection and have been destroyed except for 541,000 pounds. In addition, 29.9 million pounds of product owned by 14 companies were voluntarily destroyed under FSIS supervision. There are 4.8 million pounds still remaining under FSIS detention in the facility.

3. Regulatory and Enforcement Actions:

- a. Product Safety. FSIS evaluated 11,600 nonfood compounds and food processing additives to ensure that they meet established safety requirements for appropriate use either in or during the processing of food products regulated by FSIS.
- b. Regulatory Actions. FSIS published a proposed rule, "Nutrition Labeling of Meat and Poultry Products," in which the agency announced its intent to amend the Federal Meat and Poultry Inspection Regulations to permit voluntary nutrition labeling on single-ingredient, raw products and to establish mandatory nutrition labeling for most other meat and poultry products.

FSIS published a proposed rule regarding adoption of a standard format for presenting nutrition information on food labels; a notice announcing three public forums on small business exemption issues; and a supplemental proposed rule to permit use of databases for nutrition labeling of multi-component, processed products. FSIS also continued work to harmonize nutrition labeling requirements with the Food and Drug Administration and responded to over 1000 comments received in response to the proposals.

FSIS published a proposed rule to allow manufacturers to adjust minor ingredients in a formulation without resubmitting the labeling for new approval each time such an adjustment is made.

- c. Detentions. A total of 881 detentions of adulterated meat and poultry products, with a corresponding weight of 85,602,191 pounds, occurred during fiscal year 1992. Some of the more significant product detentions include the following:
- 543,057 pounds of partially defatted chopped beef adulterated with metal shavings.
 - 4,531,874 pounds of various meat and poultry products indicated rodent infestation. 2,920 pounds were voluntarily destroyed with the remaining product released for reinspection.
 - 1,340,063 pounds of young turkeys were detained as part of a recall.

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- 731,025 pounds of poultry were detained for off-condition. 693,800 pounds were voluntarily destroyed and 37,225 pounds were determined to be wholesome.
- 50,412,176 pounds of product were detained because of involvement in the Kansas City facility fire.
- 3,023,665 pounds of mechanically de-boned meat were detained because it had been derived from dead, dying, diseased, or disabled animals. Product disposition is pending.
- 18,991,352 pounds of meat and poultry products were found to be contaminated with foreign material. The products were reinspected and 8,001,942 pounds were voluntarily destroyed.

- d. Enforcement Actions. In October 1991, a Michigan firm and its owner were fined a total of \$20,000 for adding sulfite to sausage and misbranding the product. Earlier, the owner pled guilty to two misdemeanor counts for himself and one felony count on behalf of his firm. In addition to the fines, he was placed on three years probation.

In October 1991, a Federal court in Michigan fined the owner of a federally inspected establishment \$3,000 for selling, offering for sale, and transporting misbranded and adulterated hamburger and ground beef products. Several of the firm's products labeled as "Beef" contained undeclared pork.

In October 1991, USDA agreed to halt plans to withdraw inspection services from a federally inspected meat processing firm in North Carolina for such time as the firm complies with the provisions of the consent decision and order, which included a four year divestiture of its owners. The order included a two week suspension of inspection services and required the firm to implement in-plant production control programs to prevent the manufacture, storage, or sale of adulterated or misbranded products. The firm and its owner were convicted of multiple counts of preparing, selling, and transporting misbranded pork sausages adulterated with sulfite.

In November 1991, a federally inspected firm in Pennsylvania was fined \$6,000 for selling and transporting adulterated cooked corned beef. Laboratory analysis revealed that additional substances were added to the corned beef in excess of established standards.

In November 1991, USDA agreed to halt plans to withdraw inspection services from a federally inspected meat processing firm in California for such time as the firm complies with the provisions of a consent decision and order, which included indefinite divestiture of its owner. The firm's owner was convicted of two misdemeanor counts of causing meat food products to be misbranded. Cooked beef sausage was found to contain pork.

In December 1991, in Michigan, the former owner of a federally inspected establishment was fined \$10,000 for adulterating Polish sausage with sodium sulfite.

In January 1992, a Pennsylvania firm and its secretary/operator were fined \$875,500 for violating Federal meat inspection laws. Earlier, the firm's secretary/operator pled guilty for himself and on behalf of his firm to two

felony charges: (1) sale and distribution of product labeled as beef that contained chicken and pork, and (2) mail fraud.

In January 1992, USDA agreed to halt plans to withdraw inspection services from a federally inspected meat processing firm in Missouri for such time as the firm complies with the provisions of the consent decision and order, which included an indefinite divestiture of its owner and a five year divestiture of its plant manager. The firm and its officials were convicted of preparing, selling, and transporting Italian sausage adulterated with sulfite.

In February 1992, a Texas firm was fined \$5,400 for unlawful use of Federal inspection legends on meat and poultry products. Earlier, a corporate officer of the firm was sentenced on one felony count for failure to list himself as a convicted felon on an application for Federal meat and poultry inspection.

In March 1992, a California wholesale distributor was fined \$20,000 for allowing meat to become infested with rodents.

In March 1992, the owner of a California firm was fined \$30,000, sentenced to 30 days in jail, and ordered to perform 2,500 hours of community service. The firm's owner pled guilty to two felony counts for causing meat products to become misbranded and selling and transporting the misbranded products. The firm mislabeled and sold beef cuts as "U.S. Choice" or "U.S. Prime" that did not meet appropriate quality standards for these grades.

In March 1992, a Maryland meat firm and its officials were fined a total of \$81,710 for violating Federal meat inspection laws. The firm pled guilty to one felony count. The president and vice president pled guilty to one misdemeanor for selling ground beef adulterated with lamb.

In March 1992, USDA agreed to halt plans to withdraw inspection services from a federally inspected meat processing firm in Maryland for such time as the firm complies with the provisions of the consent decision and order, which included provisions to indefinitely withdraw inspection services from one of the meat plants under the same ownership and to withdraw meat inspection services from its affiliate for a 2-week period. The firm and two company officials were convicted of selling ground beef adulterated with lamb.

In March 1992, a U. S. District Court imposed a record \$2 million fine on a New Jersey firm and its former officials for offering bribes to USDA inspectors, adulterating ham products with excessive water, and falsifying records. The firm's former president was sentenced to serve six months in jail. Two other former officials also were sentenced to serve six months at a community treatment center. In addition, at the time of sentencing, the Secretary of Agriculture requested the three company officials be temporarily prohibited from exercising operational control of, or being physically present at, any establishment requiring inspection. Subsequently, in June and August USDA issued default decision and orders permanently divesting the company officials. Four USDA inspectors were convicted for accepting bribes. The Justice Department's case against the

firm resulted from a joint, cooperative effort by compliance officers and special agents from the Office of Inspector General.

In April 1992, a Federal court in Puerto Rico fined the owner of a federally inspected establishment \$6,000 for selling and transporting ground beef adulterated with pork.

In April 1992, in Puerto Rico, a wholesale distributor and one corporate officer were fined \$9,000 for violating Federal meat inspection laws. The firm's officer pled guilty to one misdemeanor count for offering two swine carcasses for sale that had not been federally inspected. He also pled guilty to one felony count on the firm's behalf for permitting federally inspected meat food products to become adulterated with dirt, rodent gnaw marks, and rodent feces.

In May 1992, USDA issued a decision and order indefinitely suspending inspection services from a federally inspected meat processing plant in Utah. The suspension was based on the forcible assault, forcible intimidation, and interference with an FSIS inspector in the performance of his official duties.

In May 1992, a co-owner of a California meat firm was fined \$3,000 and ordered to pay \$5,992.50 restitution for selling misbranded ground beef to a purchasing cooperative for California area school districts. The product contained less expensive soy protein, water, and beef blood.

In June 1992, USDA agreed to halt plans to withdraw inspection services from a federally inspected meat processing firm in Pennsylvania for such time as the firm complies with the provisions of the consent decision and order, which included provisions to ensure meat food products are processed without excess substances. The firm was convicted of selling and transporting cooked corned beef that contained excess added substances.

In June 1992, a Federal court in Missouri fined the former owner of a federally inspected meat plant \$3,000 and sentenced him to 16 months in jail for selling ground beef containing added water, extra fat, beef hearts, and soya to public schools and institutions. This action resulted from a joint investigation by compliance officers and special agents from the Office of Inspector General.

In July 1992, a federally inspected establishment and the firm's legal representative pled guilty to violating Federal meat inspection laws. The judge fined the firm \$30,000 for receiving for transportation adulterated smoked pork hocks and neck bones covered with mold.

In August 1992, a U.S. Magistrate Judge in New Mexico sentenced a former owner of a federally inspected meat firm to three months in jail for processing boneless beef without Federal inspection.

In September 1992, the former president of a California firm was fined \$10,000 and ordered to serve six months in a federally supervised "halfway" house for falsely labeling chorizo and longaniza sausage. The product was labeled as "pork" but actually contained beef salivary glands. The firm's former secretary was ordered to perform 80 hours of community service and was placed on two years probation.

4. Condemnations of Meat and Poultry Products:

Animal and Poultry Carcasses Condemned. In fiscal year 1992, 386,315 animal carcasses were condemned out of 117,256,484 inspected. The number of animal carcasses condemned as a percentage of those inspected equals .33 percent. During the same year, 74,282,320 poultry carcasses were condemned out of 6,621,331,000 inspected. The number of poultry carcasses condemned as a percentage of those inspected equals 1.12 percent.

5. Inspection Improvement and Modernization:

- a. Microbiological Baseline Study. FSIS is committed to making its inspection program more science-based. In fiscal year 1992, FSIS announced and began a study to collect microbiological data on beef carcasses. The data will give FSIS a food safety profile of beef products after slaughter and before they enter the retail marketplace. The monitoring program will complement current FSIS testing programs, and will help FSIS determine what processes and interventions are successful in reducing microbiological contamination. FSIS plans similar microbiological studies of poultry and pork.

b. Poultry Inspection:

Bacterial Control in Poultry Processing. Results of the Puerto Rico Bacterial Control Project show certain processing procedures such as counter-flow scalding, rinsing carcasses with fresh water as they exit the scalding, and chlorinating carcass chill water improve the overall bacterial quality of the carcasses and significantly reduce the number of Salmonella on the product. The poultry industry completed a study in December 1991 of five plants to confirm the methods developed by FSIS for improving the microbiological quality of poultry product. FSIS assisted by reviewing the study protocol and monitoring the integrity of sample collection. The findings of the Puerto Rico study are expected to lead to new regulatory requirements. A number of poultry plants have voluntarily adopted these methods. Also, FDA is taking steps to enforce reductions in Salmonella in animal feed.

Irradiation. On September 21, 1992, FSIS issued a rule to permit irradiation of packages of fresh or frozen, uncooked poultry to control Salmonella and other bacteria that cause foodborne illness. By approving poultry irradiation, FSIS has enabled the industry to make use of this new technology to improve poultry safety and prevent illness. Under the new rule, irradiated poultry packages would have to be labeled "Treated with Radiation," bear the green international irradiation symbol, and have the words "Keep Refrigerated" or "Keep Frozen" prominently displayed. The poultry must be packaged according to FDA regulations. Additionally, irradiation plants must comply with requirements of other regulatory agencies for safe radiation use and have USDA approved quality control systems including controls for measuring absorbed doses.

Food irradiation is recognized as safe by the World Health Organization and other expert groups, and has been approved for use in 37 countries for more than forty types of products. Fourteen nations have approved poultry irradiation.

Trisodium Phosphate. In October 1992, FSIS approved the use of Trisodium Phosphate (TSP) as a final rinse for processed fresh poultry after several years of study. TSP, which is commonly used in the making of cheese and breads, was shown to significantly reduce the overall level of bacteria on fresh poultry as well as particular bacteria, such as Salmonella, which can cause food poisoning.

- c. Hazard Analysis and Critical Control Point System. HACCP is a system of controls which, when applied to food processing operations, can help prevent hazardous, unwholesome, or adulterated food from reaching consumers. The purpose of the FSIS's HACCP initiative, started in 1990, is to evaluate both the potential impact to industry of implementing a HACCP system in meat and poultry plants and to identify the best way of performing inspection in HACCP plants.

In 1990, FSIS held a series of consultations and public hearings to discuss the incorporation of the HACCP system into federal meat and poultry inspection. Based upon input received from these hearings FSIS held workshops with academic and industry technical experts to create generic HACCP models. During fiscal year 1991 workshops were held to develop HACCP models for refrigerated foods, cooked sausage, and poultry slaughter. In fiscal year 1992 HACCP workshops were held on fresh ground beef and swine slaughter.

In-plant testing of the HACCP model for refrigerated foods began in fiscal year 1991 and in fiscal year 1992 for poultry slaughter and cooked sausage. During 1993 the testing phase will be completed in these product areas. The results of the implementation of these models will be evaluated by a review panel consisting of industry and academic experts.

- d. Performance Based Inspection System. The Performance Based Inspection System (PBIS) is a computer-based system for organizing inspection requirements, scheduling inspection activities, and recording inspection findings. PBIS provides FSIS with an easily accessible data bank on plant performance by scheduling and tracking inspection findings in processing plants. Its records document plant performance, forming a sound basis for uniform enforcement decisions. In fiscal year 1992, guidelines in the form of Enforcement Procedures were developed for integrating data on Compliance Consent Orders into the PBIS. This enables FSIS to improve its monitoring of plants that are under consent orders by creating a method for tracking performance and providing documentation of progressive enforcement/legal actions.

- e. Enhanced Inspector Communications. The Field Microcomputer Demonstration Project, begun in 1992, is identifying and testing appropriate uses of microcomputers to communicate the information needed to deliver effective inspection at the in-plant level. Applications being tested and evaluated in 1992 included electronic mail, word processing, the electronic submission of data on animal disposition, the accessing of directives and regulations, and the accessing of residue violation information.

In 1992, 31 microcomputers were provided to circuit supervisors and in-plant inspectors-in-charge for use in this project. Beginning in 1993, another 31 microcomputers will be provided to in-plant inspectors.

- f. Progressive Enforcement Action. The Progressive Enforcement Action was developed to provide instructions to FSIS employees for application of increasingly severe enforcement actions when establishments have demonstrated an unwillingness or inability to maintain plant facilities and operations in compliance with FSIS regulatory requirements.

The program details the stages of action inspectors will employ to bring plants back into compliance with the inspection acts. Stage I begins when inspection personnel have documented repeated failures in a plant's performance and plant management is unable or unwilling to act to effectively prevent recurrences. At this stage, the inspector-in-charge meets with plant officials to inform them of the specific pattern of problems and begins the process that can lead to either corrective actions or progressively stronger regulatory action.

In Stage II, the plant is given a plan of action for corrective actions and is given approximately 180 days to achieve them. After correction of the problems, the plant is gradually returned to its normal inspection pattern. If the plant does not satisfactorily accomplish the required corrections, the program proceeds to the third stage.

The objective of Stage III is to provide noncompliant plants with a final opportunity for correcting deficiencies prior to initiating formal legal action to withdraw inspection. Failure to comply with the provisions of the law may result in refusal, suspension, or withdrawal of inspection services and/or the imposition of criminal or civil sanctions.

At any point in the process a plant manager has the option of terminating sanctions by correcting the deficiencies that caused enforcement actions to be taken against the plant. This has proven to be an effective means of persuading plants to take corrective action in the early stages. As a result, in fiscal year 1992 only one plant entered Stage II and no plant required the application of Stage III Procedures.

- g. Rapid Tests and Chemical Residues. In fiscal year 1992, FSIS reported a continued decline of violative residue findings; only .26 percent of samples contained illegal residues.

The Fast Antimicrobial Screen Test (FAST), tested in 1991, is a rapid screen test which detects both antibiotics and sulfonamide drug residues in animal tissues. It is similar to the Calf Antibiotic and Sulfa Test (CAST) and the Swab Test on Premises (STOP); however, CAST and STOP must incubate overnight before results can be read. FAST test results can be read in six hours. In August 1991, FSIS began a 20-week study in five cooperating calf and cow slaughter plants to compare FAST results to those of CAST and STOP. The test period ended in late January of 1992. The analysis of the data gathered from the field tests is currently underway.

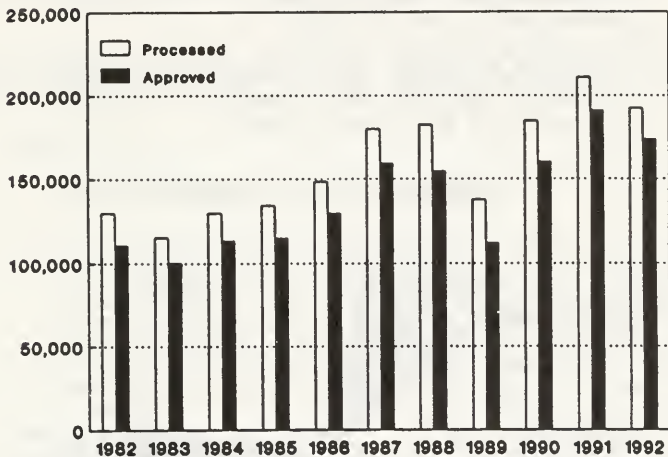
- h. Pizza Exemption. Effective August 1, FSIS allowed the sale of fresh, meat and poultry topped pizzas to schools and other institutions. FSIS published its regulations on the legislatively mandated exemption on August 3, after soliciting public comments and holding a June public hearing.
- i. Net Weights FSIS published regulations on net weight standards for meat and poultry products that: created standards assuring the net weight

statement is accurate (adopting National Institute of Standards and Technology standards for net weight testing procedures and scale accuracy requirements); enabled Federal, State, and Local regulatory agencies to enforce uniform net weight standards; and, provided notice to packers, wholesalers, and retailers of net weight compliance procedures and requirements.

6. Labeling Activities:

Labels Processed and Approved. A total of 192,330 labels were processed during fiscal year 1992, with 18,529 being disapproved. The number of labels processed and approved for the last ten years appears in the following graph:

Labels Processed and Approved



Additionally, over 9,400 approved labels were subjected to quality assurance review. This activity reduced the number of labels being given temporary approval due to a review error, and as a result, fewer labels were resubmitted for processing.

7. International Issues:

a. North American Free Trade:

Canada. FSIS and Agriculture Canada agreed to make their meat and poultry reinspection systems more compatible in accord with the U.S. Canada Free Trade Agreement. The principle changes include the following:

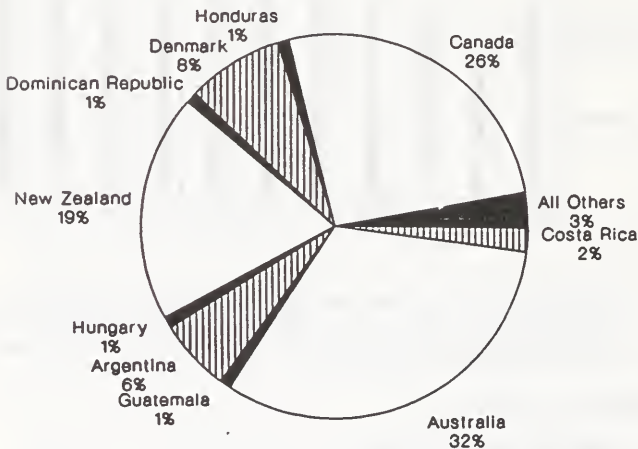
18g-11

- The Reinspection frequencies for meat and poultry products imported into the United States and Canada were set at equivalent levels.
- Shipments that are refused entry and are not presented for reinspection will be subject to an equivalent system of follow-up procedures in each country.
- Both countries agreed not to use streamlined inspection procedures for meat and poultry imports.
- Both countries will work toward providing destination import reinspection under which products can be reinspected at the border or at additional inspection sites closer to the destination of the products.

Mexico. FSIS and Mexico reached an understanding in July that resolved a plant certification issue and allowed U.S. meat and poultry plants to continue exporting products to Mexico.

- b. U.S. Imports and Exports. During 1991, the most recent year for which statistics are available, the United States imported over 2.6 billion pounds of meat and poultry from 29 countries. The following graph shows the source of U.S. meat and poultry imports:

Source of U.S. Imports



- c. Country Eligibility of Meat and Poultry Products. During fiscal year 1992, 108,608 lots and 2.566 billion pounds from 31 countries were presented for reinspection. A Final Rule was published relisting Nicaragua as eligible to export red meat product to the United States. FSIS conducted on-site reviews of the inspection programs in all eligible exporting countries. The Dominican Republic was granted a residue certification after correcting residue testing deficiencies. Croatia and Slovenia were recognized as separate eligible countries after the breakup of Yugoslavia. FSIS received and reviewed active applications from 18 countries seeking to export red meat and 11 countries seeking to export poultry to the U.S.

- d. Other International Issues. FSIS conducted several trips to Mexico to obtain information concerning Mexico's new import reinspection procedures.

FSIS managed the interface between Japan, USDA/FSIS and U.S. industry to resolve the enhanced import restrictions imposed because of violative residue findings for clopidol, nicarbazin, and oxytetracylin.

The U.S. exports meat and poultry to over 80 countries. FSIS persuaded foreign officials in many importing countries, such as Poland, Romania, El Salvador, Czechoslovakia, Chile, and Spain, to accept U.S. inspection certification requirements.

8. Consumer Services:

- a. Hurricane Relief. FSIS provided food safety information to consumers affected by Hurricane Andrew and Hurricane Iniki.
- b. Consumer and Food Safety Education. FSIS continued its efforts to expand public understanding of food safety issues and to educate consumers about safe food handling. FSIS developed background papers and other public information materials on issues such as nutrition labeling, HACCP, and listeria. FSIS also continues to publish a quarterly journal, entitled FSIS Food Safety Review, for food science and public health professionals. The journal focuses on current and emerging issues such as food safety research, chemical residues, microbiological contamination, and new science and technology.
- c. Consumer Hotline. FSIS, in cooperation with Human Nutrition Information Service, expanded the USDA Meat and Poultry Hotline to answer general inquiries about nutrition. The Hotline expanded and increased by 30 percent its call volume; more than 100,000 calls are made to the Hotline each year.

9. Federal-State Relations:

State Reviews: During 1992, reviews of six states were completed, bringing to a close the initial round of Comprehensive Reviews of all 27 State Meat and/or Poultry Inspection Programs, which began in January 1989. Only one program was rated unacceptable; seven programs had significant variations; 15 had minor variations; and four had no significant variations. The one program rated as "unacceptable" has been upgraded (primarily with the addition of a veterinary supervisor), and is now rated "acceptable". All variations identified in other reviews, have been, or are, being corrected.

18-20

Passenger Motor Vehicles

Age and mileage data for passenger motor vehicles on hand as of
September 30, 1992, is as follows:

<u>Age-Year Model</u>	<u>Age Data</u>		<u>Lifetime Mileage</u> (thousands)	<u>Mileage Data</u>	
	<u>Number of Vehicles</u>	<u>Percent of Total</u>		<u>Number of Vehicles</u>	<u>Percent of Total</u>

1988 Toyota	1	100	65-75	1	100
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The passenger motor vehicle owned by Food Safety and Inspection Service is
used by Import Inspectors in American Samoa.

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